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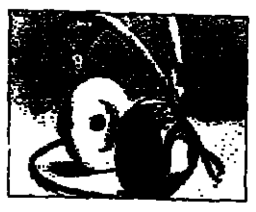

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The Millennium bomb

Warnings of computer chaos herald the new millennium: in three special pages – tomorrow, Thursday and Friday – the FT examines how the world is preparing

Germany to push ahead with EU tax harmonising plans

Pledge on 'havens' puts country on collision course with UK

By Peter Norman and Wolfgang Münchau in Brussels

Germany's centre-left coalition government yesterday put itself on a collision course with its British Labour allies by pledging to push ahead with tax harmonisation in the European Union.

Speaking at the European Union economics and finance ministers' council, Oskar Lafontaine, Germany's finance minister, said shutting down EU tax havens and harmonising corporate taxes would be high on Germany's list of policy priorities for an EU strategy for growth and jobs creation.

Germany promised to achieve the first results of its drive to ease the tax burden on employment during Bonn's EU presidency in the first half of next year.

Mr Lafontaine's call ran into strong opposition from Gordon Brown, the British finance minister, exposing one of the main fault lines between Britain and continental Europe.

Mr Brown warned that Britain would use its EU veto to halt any unacceptable tax moves. "As far as Britain is concerned, tax policy is made in Britain not in Europe. It is by cutting taxes, not raising them, that is the way forward to create jobs," Mr Brown said.

"Britain has a veto on tax policy and we will not hesitate to use that if we have to."

The split over tax policy highlighted the limitations of an 11-page document in which the EU's Social Democrat and Socialist parties, grouped in the Party of European Socialists (PES), agreed a common approach to economic policies and reform.

The document, agreed in October by left-of-centre finance ministers and disclosed to the press during the past week, spoke of the need for efforts "to avoid harmful tax competition among member states".

But it emerged yesterday that Britain had tried to block discussion on a more far-reaching document written by Philippe Busquin, a Belgian politician and chairman of a PES working party on tax matters.

Mr Busquin's paper called for "an effective minimum taxation on the corporate level as well as on the level of savings" to avoid unacceptable distortions of competition after next year's introduction of the euro, the European single currency.

It warned that tax competition resulted in an "increased tax burden on labour with negative effects on employment in Europe".

Mr Brown's officials told Mr Busquin that he had contradicted UK government policy in a number of fundamental respects, saying the paper "in its current form remains unacceptable to the UK".

When outlining his ideas for economic policy co-ordination in Europe, Mr Lafontaine underlined the importance of wages rising in line with productivity to stimulate consumption and growth.

Mr Brown, by contrast, highlighted a supply-side agenda to strengthen product and capital markets in the EU, including the venture capital market.

Making an indirect plea for lower interest rates, both Mr Lafontaine and Dominique Strauss-Kahn, the French finance and economics minister, called on the European Central Bank to take account of Europe's high unemployment when setting monetary policy.

They agreed there was no danger of inflation in Europe at present.

Awkward contradiction, Page 2
Battle lines are drawn, Page 3

Dominique Strauss-Kahn, left, with Oskar Lafontaine yesterday Picture: AP

Bull market sparks wave of M&A deals

By Richard Waters, William Lewis and Dan Bögler in New York

The return of the bull market in stocks brought the mergers and acquisitions business roaring back to life yesterday, with news of eight deals in the US worth $1bn or more and a continuation of Europe's industrial consolidation.

Also, with US share prices dallying with their first record highs since July, and the autumn fears that had hung over the financial markets banished, Wall Street was looking forward to a new round of corporate unions in the weeks ahead.

The "three-month hit" suffered by the stock market has now passed, said Dennis Kozlowski, chairman of Tyco International, a broad conglomerate that has been one of the fastest-growing US companies of the decade. "Corporate earnings look better. Business in general looks much more robust. The stock market feels good."

Tyco said it would use $11.3bn worth of stock to buy AMP, an embattled maker of electrical equipment.

The purchase trumped a rival bid from AlliedSignal, which has offered $9.7bn in cash – Wall Street's preferred currency for acquisitions at a time when share prices languished in the early autumn. Tyco's shares have jumped more than 40 per cent in the past six weeks, giving it the ammunition to outflank its rival.

The deal was one of two giant unions in which companies took advantage of hefty increases in their share prices to launch acquisitions.

America Online confirmed that it was planning to use its supercharged stock to pay more than $4bn for Netscape, the internet browser company that was itself once a darling of the stock market.

A fourfold increase in AOL's share price this year has left the company with a stock market value of about $38bn, allowing it to swallow Netscape easily. Netscape, on the other hand, has missed out on Wall Street's latest love affair with internet companies, in spite of having the largest share of the browser market and one of the most visited web sites.

The deals helped generate a very strong morning on Wall Street, which brought the Dow Jones Industrial average and other broad market indicators almost to the all-time highs they set mid-July.

The Dow reached above 9,300 for the first time since July 17, while the S&P 500 also reached its highest levels since that date.

European markets were also buoyant. In London, the FTSE 100 index had a third successive day of large gains, closing up 130.9 at 5,848.4. The market shared the pattern of other European markets.

In Germany, the Dax rose 2.3 per cent while the Swiss market was up 2.8 per cent. The Paris CAC 40 index was up 43.11 at 3,845.81.

The return of the merger wave after its brief autumn lull is likely to continue at least until the end of the year, M&A experts said. "People believe things have settled down, the world isn't going into meltdown," said Morton Pierce, head of M&A at Dewey Ballentine, a law firm.

Among other deals yesterday, Deutsche Bank confirmed that it was in talks to buy Bankers Trust and Siebe said it would pay £7.6bn for BTR.

Tyco offer for AMP, Page 23; Deutsche Bank, Page 23; Siebe and BTR, Page 23; Lex, Page 22; World stocks, Page 44; London stocks, Page 54

Clinton considers a new economic order

By Gerard Baker, travelling with President Clinton

When Bill Clinton, US president, was asked during his Tokyo visit what was the most important economic challenge facing the world, he replied without hesitation: "To adapt the international economic systems to the realities of the 21st century".

A few days later, in a discussion with Korean community leaders, Mr Clinton bemoaned the uncontrollable nature of modern global capital flows.

He recalled how investment flooded into the Korean economy in the 1980s and most of the 1990s. Then, "problems come up, and boom, the money goes away".

"Don't be fooled," he said. "When $1.5 trillion is moving around the world every day, the possibility for instability is great. You should not blame yourself. The situation is worse than it would have been because of the volatility and size of the financial crisis."

Clinton advisers say the president instinctively feels that change to the whole system is needed. Now that he has only 18 months left in his administration and the threat of impeachment is fading, it is an issue to which he could devote his prodigious energy.

So far, he has not made any specific proposals. He appears to be happy to leave the debate to finance ministers and central bank governors of the Group of 22 industrialised and emerging market countries.

But his thinking may already be more radical than that prevailing in the US Treasury, the International Monetary Fund and the US Federal Reserve.

Their view is that the bulk of the blame for the crisis of the past year lies with the countries themselves. What is needed, they say, are measures to deregulate, open markets and improve transparency.

Many economists admired by Mr Clinton, including Joseph Stiglitz, the former chairman of his council of economic advisers and now chief economist at the World Bank, have pressed for some form of controls.

Also, the president has recently finished reading an unpublished book by George Soros, which calls for radical changes to international financial markets. Aides say he was impressed by some of the arguments.

Mr Clinton often notes in private that great presidents have tended to achieve greatness in the teeth of crisis, pointing to Abraham Lincoln and Franklin Delano Roosevelt. It is harder, he says, to earn such a reputation in times of peace and prosperity.

If the international economic turmoil does truly require a radical response, perhaps Mr Clinton might have one last shot at greatness.

WORLD NEWS

Saddam's deputy survives grenade assassination bid

Iraqi President Saddam Hussein's deputy escaped an assassination attempt in the south of the country, Baghdad television reported. Izzat Ibrahim, a senior member of the powerful Revolutionary Command Council, was attending a religious ceremony in Kerbala, a Shi'ite holy city, when assailants threw two grenades as he got out of a car. Several bodyguards and bystanders were wounded. **Iraq accuses Unscom chief, Page 6**

German coalition shows strains
Conflicts within Germany's new left-of-centre coalition erupted into the open as an important political ally of Chancellor Gerhard Schröder distanced himself from the thrust of the administration's planned tax reforms. **Europe, Page 2; Currency battle lines drawn, Page 3**

Turkey's Yilmaz at bay
Turkish prime minister Mesut Yilmaz made a last-ditch attempt in parliament to defend himself against corruption charges before facing a vote of censure tomorrow. **Europe, Page 3**

Banana war peace move
Brussels said it could accept a US peace offer of arbitration through the WTO to resolve the row over the EU's banana import regime if the US suspended a threat of unilateral sanctions. **Trade, Page 4**

Japanese coalition deal wobbles
The Japanese government was in turmoil after an agreement by the ruling Liberal Democratic party to form a coalition with the opposition Liberal party came close to collapse. **Asia-Pacific, Page 8**

Transport strikes hit EU
Strikes to protest against European Commission plans to liberalise freight traffic severely disrupted the flow of passengers and goods in six EU countries. **Europe, Page 2**

Azerbaijan oil pipeline warning
Azerbaijan could lose $500m a year in oil revenues from 2005 if the government decides to support the proposed Baku-Ceyhan pipeline for Azeri crude, say oilmen. **Trade, Page 4**

Adviser for Kenyan bank
Kenya's Central Bank has appointed an adviser to help manage the National Bank of Kenya following a Ks2bn ($34m) government bailout. **International, Page 6**

US opposes German nuclear call
The US rejected calls from the German government that Nato should consider committing itself never to use nuclear weapons first. **Europe, Page 2**

Cold kills 65 in Europe
An Arctic cold wave has killed 65 people throughout Europe. In Paris, fountains in front of the Eiffel Tower were frozen solid.

Madrid road tunnels plan
Spanish officials unveiled a $2.2bn plan to ease Madrid's traffic congestion with a network of underground highways.

BUSINESS NEWS

Worst of Asian economic crisis 'may be over'

The worst of the economic crisis in Asia may be over, the Asian Development Bank has forecast. Overall economic growth for the 23 Asian developing countries, excluding Japan, surveyed by the ADB was expected to rise to 3.4 per cent in 1999 after a 1.9 per cent decline in 1998. **Asia-Pacific, Page 8**

Siebe and BTR, two of the UK's largest engineering groups, are merging to form the world's biggest control systems and automation company, valued at £9.4bn ($15.7bn). **Companies and Markets, Page 23; One man shows, Page 21; Observer, Page 21; Lex, Page 22**

Denmark, one of the world's highest-taxed countries, plans to transform itself into a zero-tax regime for international holding companies under a radical overhaul of fiscal regulation. **Europe, Page 2**

Deutsche Bank of Germany said it was in advanced stages of negotiations to buy Bankers Trust, in the largest ever takeover of a US financial company by a foreign competitor. **Companies and Markets, Page 23; Observer, Page 21**

News Corporation, the global media group controlled by Rupert Murdoch, said it intended to expand into television and entertainment across Europe and was looking to invest with other media companies. **Companies and Markets, Page 23; Foothold in Europe, Page 25**

Postabank, Hungary's fourth biggest bank, has put in place a restructuring programme designed to cut costs, shake up management, and clear out loss-making investments. **European companies, Page 25**

Thyssen, the German industrial group soon to merge with rival Krupp, said it was acquiring Dover Elevators from Dover Corp of the US. **International companies, Page 28**

Unum and Provident, the two largest disability insurers in the US, announced a $5bn merger in an attempt to build revenues both in the US and internationally. **US companies, Page 26**

Regent Pacific, the Hong Kong-based asset management group, reported a US$57.17m loss for the latest six months after writing off $61.55m of unrealised losses on investments in former Soviet republics. **Asia-Pacific companies, Page 24**

Dresdner Bank, the German group, said it was keen to expand in Europe, possibly by way of an acquisition or a merger. **European companies, Page 25**

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets. Page 31

WORLD MARKETS

STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	9,320.46	(+160.91)
NASDAQ Composite	1,959.57	(+41.36)
Europe and Far East		
CAC40	3,845.81	(+43.11)
DAX	5,019.12	(+107.24)
FTSE 100	5,846.4	(+130.9)
Nikkei	closed	
US LUNCHTIME RATES		
Federal Funds	4.625%	
3-mth Treas Bills: Yld	4.54%	
Long Bond	101¾	
Yield	5.25%	
OTHER RATES		
UK: 3 mo Interbank	6¼%	(same)
UK: 10 yr Gilt	132.52	(132.56)
France: 10 yr OAT	135.20	(135.23)
Germany: 10 yr Bund	105.65	(same)
Japan: 10 yr JGB	107.92	(same)
NORTH SEA OIL (Argus)		
Brent Dated	$10.535	(10.505)

GOLD		
New York Comex		
(Dec)	$297.1	(296.2)
London		
	$295.75	(298.25)
EXCHANGE RATES		
Dollar		
New York lunchtime		
£	1.6597	
DM	1.70225	
FFr	5.7071	
SFr	1.4027	
Y	120.925	
London:		
£	1.6538	(1.6566)
DM	1.7044	(1.6887)
FFr	5.716	(5.6625)
SFr	1.405	(1.3906)
Y	120.99	(120.25)
Tokyo closed		
Sterling		
DM	2.8180	(2.7975)

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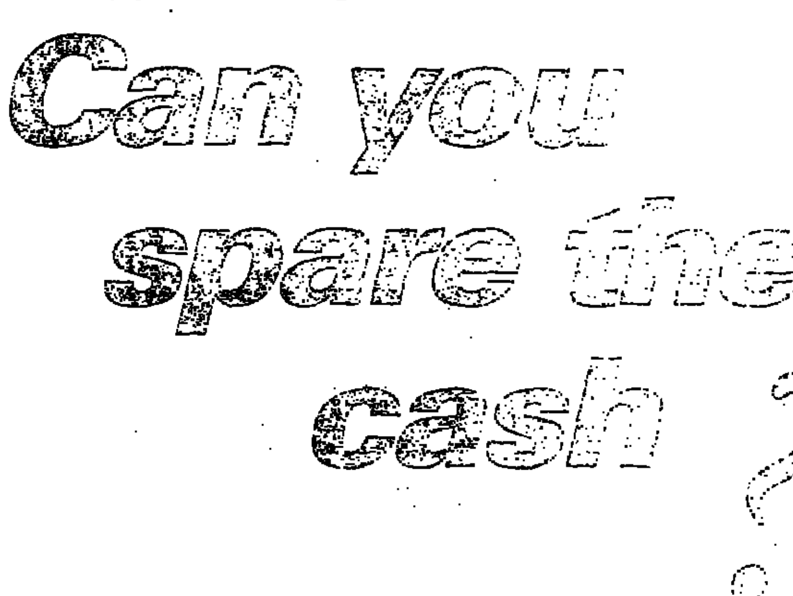

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HOLDING COMPANIES MOVE FOR ABOLITION OF WITHHOLDING TAX ON OVERSEAS DIVIDENDS DISMAYS DUTCH FACING LOSS OF REVENUES

Denmark plans fiscal rules overhaul

By Tim Burt in Stockholm and Clare MacCarthy in Copenhagen

Denmark, one of the highest-taxed countries in the industrialised world, plans to transform itself into a zero-tax regime for international holding companies under a radical overhaul of fiscal regulations.

The move, involving abolition of withholding taxes on company dividends transferred in and out of the country, could threaten the Netherlands as Europe's premier location for holding companies seeking to minimise tax liabilities.

Dutch government officials, briefed on the Danish legislation in Copenhagen last week, were said to be dismayed at the loss of tax revenues if holding companies relocated to Denmark.

The new Danish proposals, which have received a first reading in parliament, could threaten low-tax holding company regimes in Luxembourg, Belgium, Switzerland and Austria. They would also come into effect just as the European Commission steps up efforts to harmonise EU taxes.

Danish politicians have denied the move is aimed at flouting the Commission's drive to harmonise corporation tax and withholding taxes on interest income. "I do not believe there could be any EU problems. It's not our intention to create a tax paradise," said Ole Stavad, Danish tax minister.

Companies repatriating profits from overseas subsidiaries as dividends could cut their tax liabilities by exploiting the new rules. Tax consultants in Copenhagen said they had been contacted by several large corporations seeking advice about setting up holding companies in Denmark.

Under the so-called L53 proposal, dividends paid by a Danish holding company to an overseas parent corporation would be tax free. The government has decided to ease its "participation exemption system", enabling Danish companies to receive dividends tax free from foreign subsidiaries.

Denmark does not levy capital gains tax on the sale of shares in overseas subsidiaries, provided those shares have been held for at least three years. "The upshot is that Denmark will become a leading company holding location," said Ned Shelton, a Copenhagen-based international tax consultant.

Deloitte & Touche, the accountancy firm, said the system would be unique. The UK and Ireland also have no withholding taxes on dividends paid out to overseas parent companies, but dividends paid to UK and Irish companies from overseas subsidiaries are taxable. If the measures receive final approval, they will come into force in January.

Awkward contradiction at heart of havens

By Jim Kelly in London

Many multi-national businesses are likely to be rubbing their hands today at the prospect that Denmark may soon join the ranks of governments that offer significant tax breaks to lure companies onshore.

The Danes are claiming to have edged ahead of the competition with their plans for a zero-tax regime for holding companies. But other countries have similar schemes and some may upgrade to match them.

Politicians have understood that creating a beneficial tax regime for such companies can be a big business in itself. They have been spurred by the advent of economic and monetary union and the ability of "footloose" companies – in sectors such as IT – to choose a holding company location irrespective of geography.

The globalisation of companies has greatly increased demand for holding company structures that can be used to regulate the flow of dividends so the amount of tax paid is minimised – a perfectly legal strategy for multi-national businesses.

"Practically everybody is in the holding company game," said Peter Cussons, of PwC, the big new accounting company. "About a third of the FT-SE 100 has mixers [an offshore holding company used to weave together income streams to maximise tax advantages]," he said.

But at the heart of political enthusiasm for tax regimes is an awkward contradiction. Most countries involved are at an international level trying to end "harmful" tax competition. The Organisation for Economic Co-operation and Development, Group of Seven leading industrial nations, and European Union are all trying to attack the worst excesses of tax havens.

"There is a lot of hypocrisy talked about this – a certain amount of double-speak," said Nigel Eastaway, of the Chartered Institute of Taxation in the UK. He pointed to the recent establishment of the UK holding company regime and noted that innovative parts of the Danish scheme would be widely welcomed elsewhere.

"The UK is doing a review of double-tax relief and it will be interesting to see if they join in," said Joy Sevaste-Salee, tax expert with KPMG. The Dutch lead the field at the moment for holding company relief, but similar schemes exist in countries like Luxembourg.

Most countries have an offshore regime which can be useful for securing tax advantages for big businesses – and not just in the area of holding companies. The UK has Gibraltar and the Channel Islands, Spain the Canaries, Portugal has Madeira, Italy has Campione in Switzerland, France has Monaco, and the Netherlands the Dutch Antilles.

Governments stand to gain from such schemes. Small amounts of tax do have to be paid – especially if surplus cash needs to be held in the holding company. Also, in most countries new companies have to be formed generating registration fees and professional fees.

"They are also trying to get the business established in their jurisdiction so that while they don't get the direct tax they do spur employment and get the tax from that," said Mr Eastaway.

Meanwhile, Brussels, led by Mario Monti, single market commissioner, is pushing ever harder to harmonise tax in the EU. But until politicians accept the need to curb some tax competition – and lose business to centres outside the EU – that goal looks ever more distant.

AEROSPATIALE FLOTATION

Lagardère in talks on staff participation

By David Owen in Paris

Lagardère, the French defence and publishing company, is understood to be negotiating with the French government on conditions for its employees to participate in next year's planned flotation of Aerospatiale, the state-owned aerospace group.

Word of this new wrinkle in efforts to merge Aerospatiale with Lagardère's Matra defence interests has emerged as Paris appears to be preparing a strategy to respond to any move by British Aerospace and Germany's Dasa to proceed with their own two-way tie-up without waiting for France.

Ministry sources yesterday confirmed reports of a ministerial meeting last week at prime minister Lionel Jospin's Matignon base at which the subject of a British-German merger was discussed.

They said one possible response under study was to transfer the state's 40 per cent holding in Thomson-CSF, the defence electronics company, to Aerospatiale.

Such a move would strengthen links between the two French defence groupings that have taken shape around Thomson-CSF and Aerospatiale, making them better able to compete against US and Anglo-German giants.

Mr Jospin's office, however, said there was no government plan aimed at bringing together Thomson-CSF and Aerospatiale. The first priority was still to finalise the Aerospatiale-Matra operation.

Sources close to Aerospatiale-Matra merger negotiations indicated that good progress was being made, with valuations expected to be agreed shortly and the flotation likely to proceed by the end of March.

But they equally made clear they were under no illusions that they had headed off all prospect of a two-way BAe-Dasa merger.

The negotiations between Lagardère and the government are understood to concern both the eligibility of Lagardère employees for any special terms offered to their Aerospatiale counterparts in the initial public offering, and whether any shares allocated to them should be taken from the 30-33 per cent stake in the new grouping Lagardère itself is set to emerge with.

Neither Lagardère nor the French finance ministry would comment.

Under plans for the Aerospatiale-Matra merger outlined in July, the government indicated that Aerospatiale employees would be "associated more directly with the development of the company through an offer to buy shares which will be reserved for them". It also said the combined stake of the public sector and employees in the new group would be above 50 per cent.

As well as France's Airbus interest, Aerospatiale also produces helicopters, missiles and space launchers. Lagardère will put into the new group its 100 per cent-owned defence systems and information activities as well as its 50 per cent stake in Matra BAe Dynamics, a missile venture with BAe, its 51 per cent holding in Matra Marconi Space, a venture with GEC of the UK, and 50 per cent of Matra Nortel, a communications venture.

Cars and buses try to negotiate their way through the flooded streets of Athens yesterday. Greece, like much of Europe, has suffered from a cold snap which forecasters predict is on the wane Reuters

US rejects German call on Nato nuclear stance

By Stephen Fidler in Washington and Frederick Stüdemann in Bonn

The US yesterday rejected calls from the German government that Nato should consider committing itself never to use nuclear weapons first in a conflict.

With Rudolf Scharping, German defence minister, visiting Washington, his US counterpart described Nato's refusal to commit itself to No First Use as "something that's integral to the Nato strategic doctrine".

William Cohen, US defence secretary, said at the Pentagon: "We think the ambiguity involved in the issue of the use of nuclear weapons contributes to our own security, keeping any potential adversary who might use either chemical or biological [weapons] unsure of what our response would be.

"So we think that it's a sound doctrine. It was adopted certainly during the cold war, but modified ... and reaffirmed following the end of the cold war. It is an integral part of our strategic concept, and we think it should remain exactly as it is."

Mr Scharping, who yesterday met Madeleine Albright, US secretary of state, is due to meet Mr Cohen today.

Yesterday, the German government moved to play down the differences with its Nato allies. But a foreign ministry spokesman insisted the adoption of No First Use was a valid discussion point.

Since Nato last drew up a strategic concept at the end of the 1980s, the geopolitical situation had changed with the ending of the cold war stand-off and the unification of Germany.

Nato is due to agree a new "strategic concept" in Washington next April marking the organisation's 50th anniversary. The German stance, enshrined in the programme of Chancellor Gerhard Schröder's "red-green" government of Social Democrats and Greens, has raised concerns among Germany's allies about its commitment to continuity in foreign policy.

Earlier this month, Germany broke ranks with its Nato allies when it abstained on a United Nations motion concerning nuclear disarmament put forward by non-aligned countries.

In an interview with Der Spiegel magazine published yesterday, Joschka Fischer, German foreign minister and Green party member, said he had told Javier Solana, Nato secretary-general, that Germany wanted to discuss No First Use "because we see things differently".

"There are no longer divisions of tanks standing on the inner-German border and able to break through to the [English] Channel in 48 hours," he said.

"That was the situation on which the atomic weapon planning was based. We must discuss this openly in the alliance without allowing the impression to emerge that Germany is now planning to go its own way."

German coalition tax clash erupts

By Ralph Atkins in Bonn

Conflicts within Germany's coalition government erupted last night as an important political ally of Chancellor Gerhard Schröder, distanced himself publicly from the thrust of the new administration's planned tax reforms.

The comments by Wolfgang Clement, prime minister of the economically-powerful state of North Rhine Westphalia, worsened simmering disputes over policy and strategy that have developed since Mr Schröder's appointment as chancellor four weeks ago.

Mr Schröder's aides admitted yesterday that "communication" mistakes had been made, and indicated they were open to "properly financed" suggestions for improving personal and corporate tax reform plans.

Proposals for higher "ecological" charges on energy have had to be reworked to include exemptions for industry. Mr Schröder has also been buffeted by disputes over the tax and social insurance treatment of part-time jobs paying DM620 ($369) a month or less.

The complex disputes have been damaging to Mr Schröder because of his reputation as a communicator and his election pledge to "do things better" than the preceding government. They have also muddied policy objectives: plans to clamp down on employer exploitation of "DM620 jobs" have been watered down, while economists argue the "ecological" package will have little effect on the environment.

Still to be worked out is how to fund the tax shortfall created by the decision to remove tax on DM620 jobs, but deduct social insurance contributions instead. Much of the burden will fall on the 16 state governments, including North Rhine Westphalia.

Yesterday, Green party coalition allies called for regular meetings of senior figures in the SPD-Green coalition to resolve conflicts and set long-term strategy. But the Greens stopped short of formally invoking crisis resolution mechanisms included in the coalition agreement signed last month.

It emerged at the weekend that Mr Clement, seen as on Mr Schröder's modernising wing of the SPD, had written two weeks ago to the chancellor calling for substantial changes in the government's personal and corporate tax proposals, including substantially lower top and basic income tax rates.

Mr Clement's proposals were branded "frivolous" by Rezzo Schlauch, Green parliamentary leader. But in a television interview, Mr Clement insisted "something must be done" to help small and medium companies.

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Strike hits passenger and goods traffic

By Michael Smith in Brussels

Strikes to protest against European Commission plans to liberalise freight traffic severely disrupted the flow of passengers and goods in six European Union countries yesterday.

Rail traffic in Belgium ground to a halt while in France two thirds of SNCF trains, the state-owned railway operator, were cancelled. Traffic flows suffered in Luxembourg and Greece, while Spain's Renfe rail company said it managed to operate skeleton services without difficulty. Portugal suffered minor traffic disruptions.

The Commission wants countries to open up 25 per cent of their freight markets to competition within 10 years. It sees liberalisation as the most important of a series of measures to encourage business to transport more goods by rail, relieve road congestion and improve the environment.

However, the Commission said yesterday that liberalisation would take years to achieve and was not on the agenda of a meeting of EU transport ministers next Monday. Ministers would be discussing measures to enhance the efficiency of rail freight. Neil Kinnock, EU transport commissioner, said all countries understood that the huge loss in rail's share of the freight market had to be reversed if it was to survive as a significant mode of transport.

NEWS DIGEST

ECONOMIC AND MONETARY UNION

Sharp growth in support for euro within Sweden

Support for Swedish participation in economic and monetary union (Emu) has risen sharply in spite of the government's wait-and-see approach to the single currency, the euro, according to an opinion poll published in Sweden at the weekend.

The poll, published in the Dagens Nyheter newspaper, showed support for the euro rising to 36 per cent – up from 26 per cent in a similar poll in April. Opposition to Emu membership fell from 41 per cent to 35 per cent.

It is the first time that an opinion poll has indicated support for the single currency overtaking opposition.

Erik Asbrink, the country's finance minister, said yesterday that growing support for the euro could increase the prospect of a referendum on Swedish membership during the current four-year parliament. Speaking at a meeting of finance ministers in Brussels, he said: "We do not have a strong Yes majority at the moment, rather things look very even and we do not know how stable public opinion is."

Sweden's ruling Social Democratic party has ruled out membership of the euro in the first wave next year, even though the country has no opt-out from the Maastricht treaty. **Tim Burt, Stockholm**

POST-WAR ACCORD

Croatia and Bosnia sign deal

Croatia and Bosnia have signed an accord aimed at settling their thorny post-war relations. According to the deal, landlocked Bosnia receives the right to use the Adriatic port of Ploce, while Croatia is given free transit through Neum, a short strip on the Adriatic coast.

"The signing of these agreements heralds a new chapter in relations between Bosnia and Croatia and makes the distance between Zagreb and Sarajevo a much shorter one," Jacqes Klein, the US diplomat who helped broker the accord. Croatian troops battled Bosnian government troops during the war in Bosnia, until the two sides agreed under US pressure to form a federation, which now covers one half of Bosnia-Herzegovina. The parties are committed to draft detailed annexes to the accord by next July. **Reuters, Zagreb**

CZECH AND SLOVAK PREMIERS

Closer ties are pledged

The Czech and Slovak prime ministers yesterday met for the first time in a year, pledging closer ties and the quick resolution of property disputes arising from the break-up of Czechoslovakia in 1993.

It was the first meeting between Milos Zeman, Czech prime minister, and Mikulas Dzurinda, the new Slovak premier, whose broad social democratic alliance defeated the nationalist grouping led by Vladimir Meciar in Slovakia's recent elections. Mr Dzurinda said the two governments had agreed to solve outstanding property disputes, over Czechoslovakia's gold reserves and state debts, within a year. **Reuters, Bratislava**

REFERENDUM

Albanians 'vote for change'

Wolfgang Schüssel, foreign minister of Austria, which at present holds the European Union presidency, said yesterday Albanians appeared to have voted for a new democratic constitution in a referendum on Sunday. "Even if no final figures are available yet, it is clear more than half of eligible Albanian voters took part in the referendum and an overwhelming majority were in favour of the new constitution," Mr Schüssel said. The official result is not expected until today. The socialist-led government of Pandeli Majko, prime minister and the opposition Democrats, led by the former president, Sali Berisha, who boycotted the vote, have both claimed victory. **Reuters, Vienna**

STEEL TRADE

EU to become net importer

The European Union will become a net importer of steel for the first time this year because of a surge of cheap exports caused by the collapse of demand in Asia, according to the Organisation for Economic Co-operation and Development.

The OECD's steel committee said imports were likely to remain high next year. It also forecast a continuing fall in EU exports, which would lead to an even bigger steel trade deficit. The OECD announcement comes as Eurofer, the EU steelmakers' association, finalises a request for protection against alleged steel dumping. Eurofer will target six countries, including Taiwan, and is considering whether to add South Korea to the list.

The European complaints follow a sustained campaign for protection by American steelmakers. The US administration is considering appeals for anti-dumping action against Japan, Russia and Brazil.

The OECD report said steel imports into the EU "at incredibly low prices" were rising, leading to a "significant fall" in overall market prices. According to Eurofer, prices for some products have fallen by 30 per cent in six months. **Kevin Brown, Industry Editor**

STANDARD & POOR'S

Rating boost for Bulgaria

Standard & Poor's positive outlook and credit rating of B assigned to Bulgaria yesterday paves the way to rating upgrades next year, provided the country persists with reforms, bankers and a government official said. "Progress in macroeconomic and structural reforms should secure further upgrades," said Peter Botoucharov, Bank Boston emerging markets research vice-president.

Early this year Bulgaria requested ratings from Standard and Poor's, Fitch IBCA and Moody's Investor Service for a $200m debut Eurobond issue, initially planned for this year, but postponed after the Asian and Russian crises.

"S&P's positive Bulgaria outlook is significant, given that against the backdrop of the financial crisis many rating agencies downgraded a number of emerging market countries recently," said Plamen Oresharski, deputy finance minister.

Standard & Poor's gave Bulgaria B long-term and short-term local and foreign currency issuer credit ratings. S&P said the ratings were constrained by the country's heavy external indebtedness and delayed structural reform.

The agency said Bulgaria had progressed towards macroeconomic and financial stability since the country's economic crisis in early 1997 and the outlook on the long-term ratings was positive.

"Continued financial discipline and steps toward structural reforms have secured important bilateral and multilateral support," S&P said. "With a successful acceleration of structural reforms, Bulgaria's rating could advance in the year ahead," it said. **Reuters, Sofia**

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Yilmaz in last ditch drive to stay as PM

By Leyla Boulton in Ankara and Paul Betts in Milan

Mesut Yilmaz, Turkish prime minister, yesterday made a last ditch attempt in parliament to defend himself against corruption charges before facing a vote of censure tomorrow.

In a clear indication his days in office are numbered, Mr Yilmaz was allowed only three minutes in which to make his case against allegations he facilitated a corrupt bank privatisation. His own party acknowledged he was likely to lose tomorrow's parliamentary vote.

With behind the scenes negotiations on the shape of an interim government to take over from Mr Yilmaz already underway, Turkey continued to raise the stakes yesterday in its bitter diplomatic row with Italy.

Turkish officials and companies announced new sanctions against Italy for its refusal to extradite Abdullah Ocalan, leader of the Kurdish Workers Party (PKK). Ankara accuses Mr Ocalan of terrorism and blames him for a war that has cost 30,000 lives.

Turkey will cease cable broadcast of two Italian state-run television channels, Rai-1 and Rai-3, while Arif Denizolgun, transport minister was quoted as saying that Turk Telecom, the state-owned utility, would halt all business with Italian companies.

Massimo D'Alema, Italian prime minister, attacked Ankara's decision to boycott Italian commercial interests and said his government was merely following the rule of law in its handling of Mr Ocalan.

Mr D'Alema's government also had some pointed words for Germany. Lamberto Dini, foreign minister, said Italy had arrested the Kurdish militant leader because of an international arrest warrant issued by Germany. He said Rome had not done this to "keep him in Italy", implying that Germany should now request his extradition.

In Ankara yesterday however Mr Yilmaz was fighting for his own political survival. He dismissed as "all lies" the corruption allegations which Deniz Baykal, head of the left-of-centre CHP party, cited as the reason for withdrawing support for Mr Yilmaz's fragile coalition.

Mr Baykal is spearheading tomorrow's censure motion together with Fazilet (Virtue), the Islamist party which could gain the biggest share of the votes in elections scheduled for April 18.

Before Mr Yilmaz was able to proceed further with his defence in parliament, he was cut off by the speaker who said the prime minister was entitled to only three minutes. Agah Oktay Guner, deputy chairman of Mr Yilmaz's Motherland party, conceded the government would not survive tomorrow's censure motion. But he said Mr Baykal had denied Mr Yilmaz the basic right to a fair defence.

Mesut Yilmaz, Turkish PM: fighting for his position AP

EBRD TRANSITION REPORT

East Europe trend 'slower, more erratic'

By Kevin Done, East Europe Correspondent

The transition to market economies in East Europe and the former Soviet Union has been "slower and more erratic" in 1998 than in any year since the collapse of communism, according to the European Bank for Reconstruction and Development.

Moreover, the gap between the countries of central and eastern Europe, and most of the former Soviet Union – excluding the Baltic states – is widening.

"Countries which have balanced privatisation and liberalisation with deep institutional reforms have been more resilient to recent global pressures," says the EBRD in its 1998 Transition Report, published today.

Hungary and Poland, the leaders in pushing through tough structural and institutional reforms, have best survived "the stress-test" of global financial turmoil.

"The striking contrasts in the region show that stability and growth require markets with competition and financial discipline, and private ownership with effective corporate governance and the rule of law," said Nick Stern, EBRD chief economist.

Financial sectors in much of east Europe and the former Soviet Union remain "significantly underdeveloped" and are failing to deliver crucial services to the real economy.

According to the report banking systems are "stunted", particularly in lending to the private sector, compared with those of market economies at similar levels of development elsewhere in the world. Securities markets in the region "remain small and function poorly".

The performance gap between the countries of central Europe and most of the former Soviet Union, excluding the Baltics, is widening alarmingly.

Five countries, Poland, Slovenia, Slovakia, the Czech Republic and Hungary, are now exceeding or are close to achieving output levels of 1989, while recovery has barely started in much of the former Soviet Union, with gross domestic product in many states still languishing at barely half the 1989 level.

Russia's economic collapse, in particular, has exacted a heavy toll in the region, pushing it back into recession. The contraction is forecast to become more severe next year. The achievement of overall economic growth in the region last year, for the first time since the collapse of the Berlin Wall, has proved short-lived.

The EBRD forecasts a decline in output in the former eastern bloc of 1 per cent this year and 2 per cent in 1999. The fall is primarily due to recession in Russia, however, where GDP is expected to decline by 5 per cent in 1998 and 7 per cent in 1999.

Growth in central and east Europe and the Baltic states (excluding the Commonwealth of Independent States) is slowing for the third year in succession and is forecast by the EBRD to fall to 3 per cent this year from 3.6 per cent in 1997 and a peak of 5.5 per cent in 1995.

The bank remains optimistic that growth in these countries will be maintained in 1999, however. It forecasts a rise in output of 3.6 per cent next year with the increase from 1998 largely because of the return to marginally positive growth in Romania, the fourth largest economy in the region, after two years of deep recession.

Poland has achieved seven years of strong, unbroken growth and the EBRD forecasts a further rise in output of 5 per cent in 1999 following increases of 5.2 per cent and 6.9 per cent in 1998 and 1997 respectively.

Hungary too is expected to grow strongly after overcoming the tough austerity measures of the mid-1990s. GDP is forecast to rise by 4.4 per cent next year.

EBRD 1998 Transition Report, price £30. Available from: The Stationery Office Publications Centre, PO Box 276, London SW8 5DT, UK. Fax: +44-171-873-8200. Tel: +44-171-873-9090.

GDP forecasts

E.Europe	1998 % change	1998 GDP relative to 1989*
Albania	9.0	87
Bulgaria	4.0	66
Croatia	4.2	79
Czech Republic	-1.0	97
Estonia	5.8	77
FYR Macedonia	5.0	59
Hungary	4.6	95
Latvia	4.0	58
Lithuania	3.0	63
Poland	5.2	118
Romania	-5.0	78
Slovak Republic	5.0	100
Slovenia	4.0	103
CIS		
Armenia	6.0	40
Azerbaijan	6.7	42
Belarus	5.0	75
Georgia	9.0	35
Kazakhstan	1.0	63
Kyrgyzstan	4.0	60
Moldova	-2.0	35
Russia	-5.0	55
Tajikistan	3.0	41
Turkmenistan	5.0	44
Ukraine	0	37
Uzbekistan	2.0	88

Source: EBRD * Where 1989 = 100

Moscow is warned of dangers in resorting to printing money

But EBRD still sees little sign of a realistic response to turmoil, reports **Kevin Done**

The Russian authorities still show "little sign of a realistic response" to the daunting fiscal problems facing the country since it collapsed into economic turmoil in the summer.

The EBRD warns in its 1998 Transition Report that printing money, the Russian government's "likely reaction" to the crisis, will lead to high inflation and hardships for the population "with sharp increases in poverty and mortality."

If reforms are to be implemented in Russia, a new and viable political consensus is required. But it is difficult to see such a consensus emerging rapidly, despite the fact that "the costs of prolonged delay are likely to be severe".

Outside assistance can be helpful, but any solution will depend "primarily on domestic decisions and leadership," says the bank, which has become one of the biggest investors in Russia, since it was established in 1991 to support the transition to a market economy in the former communist eastern bloc countries.

The government has failed to break the political stalemate in the face of powerful vested interests. It remains reluctant "to accept the social and political consequences associated with resolving problems of such great magnitude," says the EBRD. Priority must be given to tackling the fiscal crisis and to rebuilding the collapsed financial sector.

In the absence of other sources of funds a tightening in state finances equivalent to 5-6 per cent of gross domestic product is "essential" in coming months to achieve a balanced budget.

Such fiscal austerity would still take no account of the estimated 5 per cent of GDP in sovereign debt service that is due in 1999, but the EBRD accepts there will be strong pressures to reschedule some of these payments.

The restructuring of the banking sector must be undertaken urgently.

Banks of strategic importance that are viable must be put into rehabilitation with the state injecting capital, acquiring a controlling interest and replacing managements. Non-viable banks must be liquidated. Bank restructuring must be open and transparent.

"If the process reflects discrimination or cronyism, the old problems are likely to return," warns the report.

According to the EBRD the root cause of the turmoil in Russia lay in large part in the failure to confront the problems of enterprise reform. The government failed to overcome "strong and manipulative vested interests both from old structures and the new oligarchs".

The Russian privatisation model left control of most companies in the hands of existing managements, which succeeded in blocking reform and restructuring. "The Russian experience is the most powerful example of the damaging consequences of insider ownership, which are particularly severe, when insiders have inherited or developed strong ties to government," says the report.

'A new and viable political consensus is required'

The EBRD says the magnitude of Russia's problems appears to be unique, but it warns that similar processes are at work in a number of countries across the region, particularly but not exclusively in the Commonwealth of Independent States.

The weakness of the Russian state created ample opportunities for managers and bankers to "capture" politicians and bureaucrats at every level of government. "This was a fertile environment for the growth of corruption."

Russia's actions now are giving crucial signals to investors for future investments. The report says it is vital the economy is not further undermined by "discriminatory tax collection, misguided direction of investment, heavy subsidies and avoidance of restructuring or closure of non-viable companies."

A vibrant and entrepreneurial private sector has emerged in Russia, says the bank. It has suffered deeply in the crisis, but remains the main hope for Russia's economic future.

Death of Russian market liberalism, Page 20

Economic indicators for euro-11 countries

	Sep 1998	Aug 1998	Jul 1998	Jun 98	May 98	Apr 98	1997	1996
Inflation (annual % change)	1.0	1.2	1.4	1.4	1.4	1.4	1.6†	2.2†
Unemployment (%)	10.9	11.0	11.0	11.1	11.2	11.2	11.6	11.6
Trade (Ecu bn)								
Exports	n/a	n/a	71.6	69.7	65.6	63.2	760.8	667.7
Imports	n/a	n/a	58.4	61.4	57.0	60.2	671.4	594.2
Trade balance	n/a	n/a	13.1	8.3	8.6	3.0	89.4	73.5

	Jun-Aug/Mar-May	May-Jul/Feb-Apr	Apr-Jun/Jan-Mar	Mar-May/Dec-Feb	1997	1996
Industrial production (%) (3 mo over previous 3 mo)	1.0	1.0	1.1	1.2	4.1††	0.9††

	Q2 1998	Q1 1998	Q4 1997	Q3 1997	1997	1996
GDP growth (%) Over same quarter last year	2.4	3.8	3.2	2.8	2.5	1.6

* provisional ** estimated † estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly ones †† annual % change Source: Eurostat

Battle lines are drawn over currency targets

ECB watch

By Wolfgang Münchau in Brussels

Oskar Lafontaine, Germany's finance minister, has hit a raw nerve among central bankers with his proposal to introduce target zones for the world's leading currencies to stabilise exchange rate fluctuations. Last Friday, Wim Duisenberg, president of the European Central Bank, and Hans Tietmeyer, president of the Bundesbank, both publicly rejected the idea as undesirable and unfeasible.

They received powerful support from Alan Greenspan, chairman of the Federal Reserve Board, and Eddie George, governor of the Bank of England.

Target zone systems can take different forms. One possibility is a system of semi-fixed exchange rates against an anchor currency, such as the dollar or the euro. The other currencies are allowed to fluctuate within a margin either side of a central exchange rate. If a currency hits the floor or ceiling of its fluctuation margin, the central banks intervene to stabilise the rate. Less formal arrangements are also possible.

The debate about exchange rate target zones is over cause and effect. The central bankers argue that target zone systems, such as the Bretton Woods system, were tried and failed. Currency fluctuations, they say, are not the cause of economic misalignments but a symptom. Currency fluctuations, they say, can act as a useful shock absorber when countries experience economic shocks.

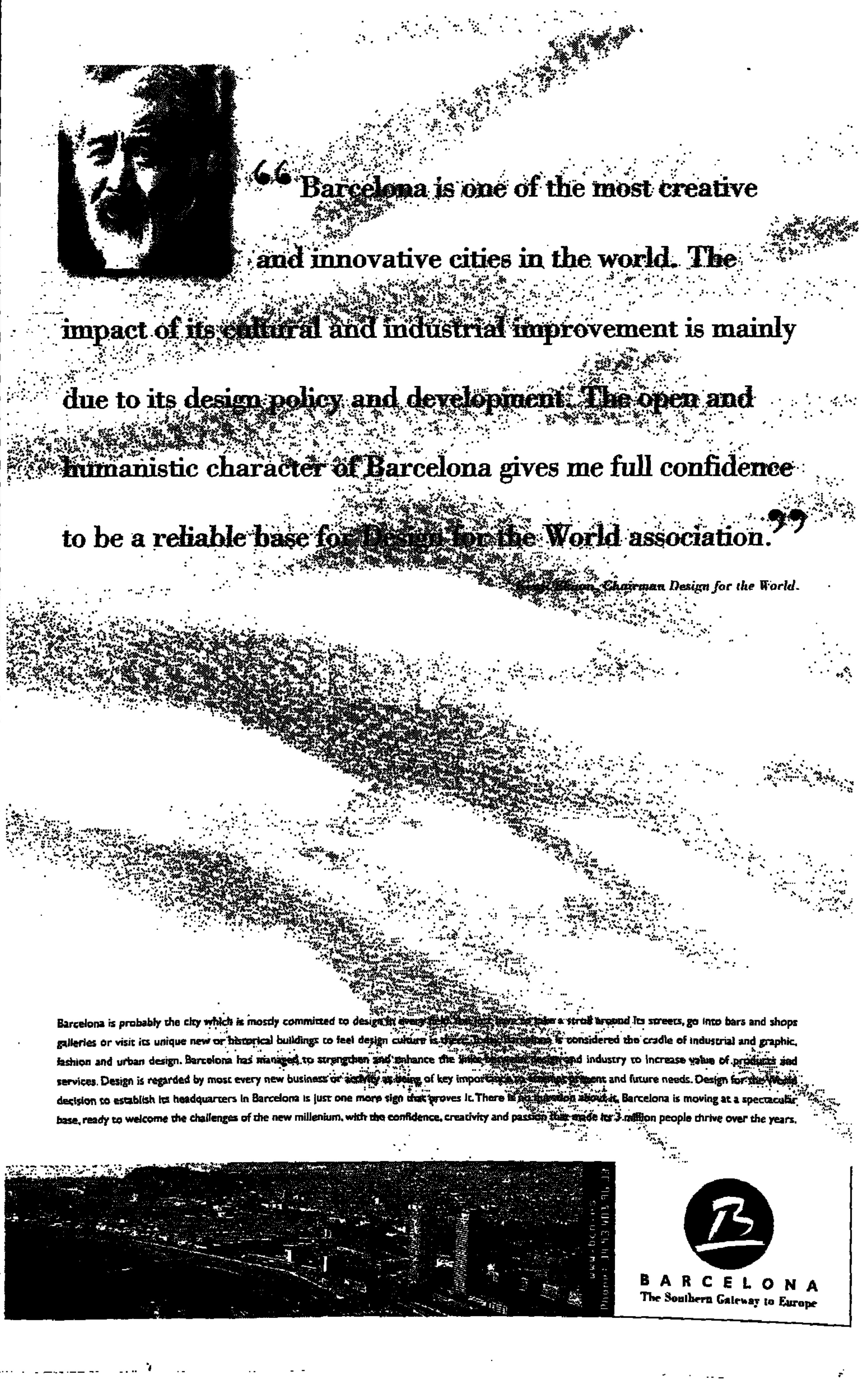
Given that many central banks follow a price stability target, the bankers argue that if politicians were to set target zones for exchange rates, the ECB and other central banks would have to target the exchange rate as well as price stability. The two targets could conflict.

Proponents of target zones argue that much of the volatility between the dollar, the D-Mark and the yen during the 1990s cannot be explained on fundamental grounds because all three countries experienced relatively low and stable inflation rates throughout the period.

Peter Bofinger, dean of economics at Würzburg University, for example, argues that exchanges rate are the main cause of instability in the international economy. He suggests a return to the Bretton Woods system. In the US, Fred Bergsten, director of the Institute for International Economics in Washington, is the most prominent proponent of a system of formal target zones.

The issue remains unresolved. Mr Lafontaine has become less vociferous of late, but his ambition to end two decades of *laissez-faire* international economics remains unbroken. He has promised a European initiative in due course.

The battle lines are drawn, but the forces may be unevenly matched. While the central bankers agree among themselves, the politicians have yet to reach a common position.



WORLD TRADE

Azerbaijan 'faces loss' if Turkey pipeline is chosen

By Robert Corzine in London

Azerbaijan could lose as much as $500m a year in oil revenues from 2005 if the government of President Heydar Aliyev decides to support the proposed Baku-Ceyhan main export route for Azeri crude.

Mr Aliyev – who has the final say on the pipeline's route – has repeatedly said that Baku-Ceyhan, which is backed strongly by the US and Turkey, is the most politically attractive of the three options under consideration, given that it would reduce the dependence of Azerbaijan and other former Soviet republics in the Caspian Sea region on Russia.

But western oilmen say much of the added cost of going to Ceyhan, instead of to Supsa in neighbouring Georgia, would be borne by the Azeri government. That is because of cost recovery clauses in the production sharing agreement with the Azerbaijan International Operating Company, the 11-member consortium overseeing the $10bn-$12bn development of three big offshore fields in the Caspian Sea.

Most shareholders in the British Petroleum-led AIOC are said to favour the Supsa route, although John Leggate AIOC president, yesterday told a conference in London that "all options are still open", including a possible northern line to Novorossiysk in Russia.

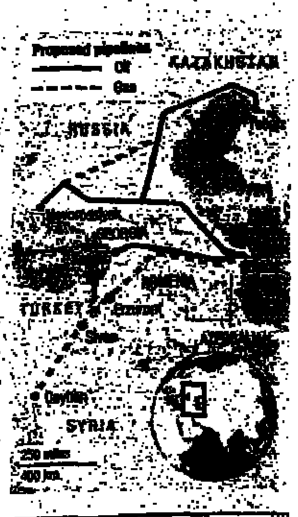
He said AIOC understood the sensitive geopolitical concerns underlying the pipeline debate. But he emphasised that the chosen route must be able to attract finance.

In recent weeks Turkey has increased the political pressure on AIOC and its shareholders to endorse the 2,000 km Ceyhan route, which carries an estimated cost of $3.7bn, compared with $1.8bn for Supsa and $2.5bn for Novorossiysk. The cost per barrel of sending crude via Ceyhan is expected to be around $4, against $2 or so for Supsa.

Last week Ankara announced restrictions on dealings with BP and Amoco. The two companies, which are to merge by the end of the year, hold more than a third of the shares in AIOC. Turkey has also said it will not buy Caspian oil unless it is delivered by pipeline to Ceyhan.

Turkish officials complain that AIOC cost estimates for the Ceyhan option are inflated. They believe it can be built for about $2.2bn. AIOC admits "there is more contingency in our estimates", but says there are important differences in the proposed route and different technical specifications.

Although a final recommendation could emerge as early as December 4, when a joint Azeri government/AIOC committee is due to meet, Mr Leggate said it was "important to take the time to find the right solution". Turkey has yet to give details of its planned tariff schedule to AIOC, nor has it disclosed promised financial incentives.



BANANA DISPUTE BRUSSELS SETS OUT CONDITIONS FOR SETTLEMENT AT WTO

EU will accept peace offer if US drops threat

By Neil Buckley in Brussels

The European Union yesterday indicated it could accept a US peace offer of arbitration through the World Trade Organisation to resolve the row over the EU's banana import regime – but only if the US suspended a threat of unilateral sanctions.

Sir Leon Brittan, EU trade commissioner, also said that the EU would launch tomorrow a separate WTO challenge to the US domestic legislation, Section 301, on which Washington is basing its sanctions threat. Section 301 allows in theory, unilateral measures to be taken against trading partners. The EU says imposing them would violate WTO rules.

Sir Leon wrote to Charlene Barshefsky, US trade representative, with a formal response to Washington's offer last Thursday to seek an accelerated disputes panel ruling from the WTO on the banana dispute.

He said the EU would agree to a panel only if the US suspended its timetable for imposing trade sanctions it has threatened if the EU fails to amend its banana regime to Washington's satisfaction. Washington also had to undertake to accept the ruling, even if it went against the US.

Washington says the banana regime, which gives preferential access to the EU for bananas from former British and French colonies in Africa, the Caribbean and the Pacific, unfairly discriminates against US companies that distribute Latin American bananas.

The WTO upheld a US complaint over the regime last year, and Washington argues that changes introduced by the EU do not go far enough to comply with the WTO ruling. It has threatened sanctions – which could take effect as early as February 1 – if Brussels does not make further changes by January 1.

Sir Leon wrote yesterday that the "EU remains ready to co-operate with the US" in a WTO panel, but attached specific conditions.

"First, not to seek authorisation for retaliatory measures... until after a ruling has been made... including, if necessary, an appeal. Second, that, in the event of a panel ruling against the US... the US would accept that ruling and not resort to unilateral action."

The letter received a cautious initial response in Washington. Jay Ziegler, the US Trade Representative's spokesman, said the US made clear last week it would not exercise its domestic trade legislation authorising sanctions until WTO procedures had run their course.

But it was reluctant to "decouple" its use of domestic legislation from any WTO action.

"Just as the EU has applied its own domestic standards throughout this dispute, so we believe that doing so is fully within our WTO rights," Mr Ziegler said.

"We have consistently indicated we are interested in solving this issue through the WTO, and not because we are obligated to take this extra step that we proposed last week, but as a good faith effort to solve the problem," he added.

Israel reduces its forecast of export growth

By Avi Machlis in Jerusalem

Israeli exports will grow only 3.1 per cent in 1998, the slowest rate in 15 years, with diamond and electronics companies hardest hit by the Asian economic crisis, the Israel Export Institute said yesterday.

The institute, a trade promotion group, said the decline from last year's export growth rate of 9.4 per cent will cost the Israeli economy $1.4bn, more than 1 per cent of gross domestic product. The institute projects exports – the engine of Israel's economy – will grow only 2 per cent next year.

Sluggish export growth will complicate government efforts to revive the economy, which is expected to grow only 1.5 per cent this year. Exporters say they are not reaping the benefits of a long-awaited devaluation of the shekel, since interest rates remain high.

The Bank of Israel recently raised its key lending rate 4 percentage points in as many weeks to 13.5 per cent, to stem a surge in inflation caused by a sharp devaluation of the shekel.

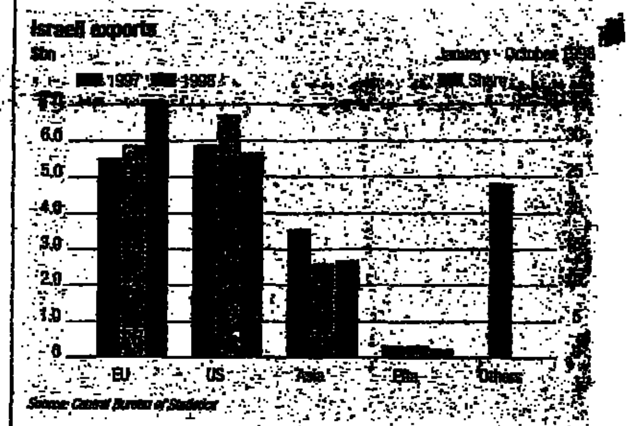
"We are also asking the government for $300m for political risk insurance and special marketing programmes to help companies penetrate new markets," said Daniel Bloch, spokesman for the Export Institute.

Israel's trade deficit has narrowed over the past year, from $5.47bn in the first 10 months of 1997 to $3.65bn in the period this year. "But that is no consolation," said Mr Bloch. "Imports have been slowing down even faster than exports."

Exports to Asia, Israel's third largest market after the European Union and the US, have fallen 27 per cent in the year to October compared with the same period in 1997. Israel recorded a $250m trade deficit with Asia in the first 10 months of the year compared with a surplus of nearly $1bn in the same period last year.

In a separate survey, Dun & Bradstreet, the international analysts, said Israeli defence exports had declined sharply from 28 per cent of total exports a decade ago to 11 per cent in 1997.

Israel Aircraft Industries, the state-owned defence group, remains the biggest exporter. But the top 10 exporters are now dominated by technology and chemicals companies, including Dead Sea Works, the chemicals manufacturer, Tadiran, the electronics group, and Scitex, the electronic print maker.



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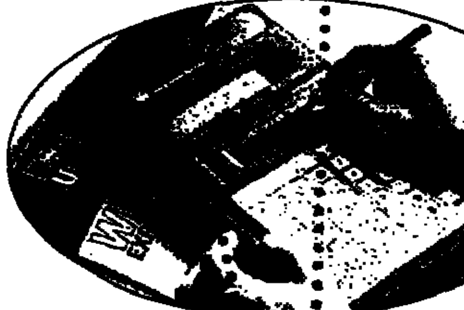

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NEWS DIGEST

INTERNET PRIVACY

EU-US clash on personal data directive drags on

The European Union and the US are unlikely to resolve a dispute over a Brussels data protection directive before the end of the year, a Commission official said yesterday.

Last week, member states concluded that US proposals designed to give personal data sent from the EU equivalent levels of protection were inadequate. The law, which came into force last month, empowers national data regulators in the EU to halt exports of personal data to countries they judge do not have adequate protection arrangements. The US has proposed ensuring data protection through voluntary self-regulation by industry.

The two main sticking points concern arrangements for ensuring that individuals can obtain information about the nature and use of personal data held by companies, and systems of redress when individuals complain about how personal data has been used. **Emma Tucker, Brussels**

GLOBAL TELECOMS

NTL and C&W share award

Barclay Knapp of NTL and Dick Brown of Cable and Wireless have been jointly named chief executive of the year in the first Financial Times global telecommunications awards. Established to recognise innovation in 11 industry categories, the awards were presented at a dinner held last night in New York's Roosevelt Hotel.

Norweb's digital power line was judged the most innovative fixed product, while Logica's M-Commerce won the mobile category. Kenan Systems Arbor took the award for best billing system, WinStar Communications of the US had the most innovative broadband development strategy and Cellnet's Genie was judged the best use of internet technology. The most competitive carrier was Matáv of Hungary, while Colt took the award for best newcomer. Eircell of Ireland and WinStar were joint winners of the most effective marketing campaign. Unidial made the best use of its website and Orange had the best customer care campaign. **Alan Cane, London**

INDIA INSURANCE

Foreigners can buy stakes

Foreign insurers are to be allowed to buy up to 26 per cent of private Indian insurance companies once the sector is liberalised, Yashwant Sinha, finance minister, said yesterday. Non-resident Indian investors could hold a further 14 per cent. Parliament will be asked soon to amend laws ending the current state monopoly and allowing private insurance companies. **Mark Nicholson, New Delhi**

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DOCUMENTS DISPUTE BAGHDAD WRITES TO UN TO EXPLAIN REFUSAL TO RELEASE PAPERS

Iraq accuses Unscom chief of 'concocting' crisis

By Roula Khalaf in Baghdad

Iraq yesterday stepped up its accusations against Richard Butler, the chief UN weapons inspector, and said it had written directly to the United Nations Security Council to explain its refusal to hand over documents to weapons inspectors.

Riad al-Qaysi, deputy foreign minister, said Mr Butler was "concocting" a crisis over documents and that he hoped the Security Council, which was meeting yesterday to discuss the dispute over documents, would see that the picture drawn by the chief weapons inspector was "without perspective".

The dispute is threatening to spark a new crisis over Iraq, just over a week after the US called off military strikes and Baghdad reversed its ban on all weapons inspections.

The letter sent yesterday by Tariq Aziz, deputy prime minister, refuted suggestions by Mr Butler that Iraq was reneging on its pledge to resume co-operation, and said Mr Butler had raised old issues to delay the lifting of eight-year-old United Nations sanctions. Iraq told Mr Butler last week that several of the 12 documents he requested had been unilaterally destroyed.

Mr al-Qaysi said the issue of the destruction had been successfully resolved in 1994 with Rolf Ekeus, the former chief weapons inspector. Mr al-Qaysi read parts of a letter in which Mr Ekeus said he believed the information provided by Iraq on unilateral destruction of documents appeared comprehensive and sufficient.

"What Mr Butler contends is totally unwarranted," said Mr Qaisi. "We cannot interpret his position except in one sense: that he wants to manipulate the timing and substance of the comprehensive review." This examination of sanctions will be Baghdad's first chance to put its case for lifting the sanctions directly before the Security Council, which will also hear Mr Butler's assessment of how far Iraq has moved on disarmament.

But the review can only take place after Iraq's commitment to resume co-operation with inspectors is tested. The US has said it remains ready to strike Iraq if Baghdad fails the test.

"With the latest episode, Mr Butler does not want to take us to the light at the end of the tunnel" of sanctions, Mr al-Qaysi said. "What we see is the light of a locomotive coming at Iraq." Baghdad's attempt to justify its position follows comments by Mr Butler in which he cautions against over-reacting over documents and says his requests are part of other tests that inspectors will conduct.

Andrew Parker adds from London: Derek Fatchett, a UK foreign office minister, said yesterday the UK would support efforts to bring Saddam Hussein before an international tribunal on charges of committing crimes against humanity.

Mr Fatchett held talks yesterday with 16 Iraqi opposition groups. While stressing it was not a goal of UK foreign policy to topple Mr Saddam, Mr Fatchett said his government would work with the groups to produce "a vision of an Iraq without Saddam Hussein: more open, more pluralistic, more democratic".

He added he had asked the groups to come up with firm proposals which could be presented during talks today with Martin Indyk, US assistant secretary of state. Mr Fatchett said he would look at plans to provide the groups with equipment to broadcast into Iraq.

Kenyan central bankers act as bank comes under pressure

By Mark Turner in Nairobi

Kenya's Central Bank has appointed an adviser to help manage the National Bank of Kenya (NBK), the country's fourth largest bank, following a Ks2bn ($34m) government bailout after rumours of illiquidity prompted account holders to withdraw Ks1.5bn last week.

"The unnecessary withdrawal of deposits has put severe pressure on the liquidity position of the bank," said Simeon Nyachae, the finance minister, at a press conference over the weekend.

"This has been made worse by its non-performing loans, including some owed to the bank by government-owned parastatals."

The measures follow two months of instability among Kenya's smaller banks, and growing speculation that NBK, in which the government has a minority shareholding, could be the next to fall.

The Central Bank has placed five banks under statutory management over the past two months, including Kenya's seventh largest bank, Trust Bank. All are attempting to piece together rescue packages.

Analysts have played down the possibility of contagion, as the five have combined assets of only Ks15bn. But they say that if the National Bank fell, with assets worth Ks23bn, the effects could be far more damaging.

"If anything were to happen to NBK, one would see wider repercussions in the commercial sector," said a senior figure in the Kenya banking community.

He suggested that depositors fleeing from smaller banks might question the top-flight banks as safe havens, but added that the government was unlikely to allow NBK to collapse, especially as its customers included thousands of teachers and other public servants.

Mr Nyachae moved rapidly to restore confidence over the weekend, saying that the government would pay money it owed to NBK debtors directly to the bank. He added that a further Ks2bn could be recovered if the country's commercial courts moved quickly.

Nevertheless, the size of NBK's bad loans is still unclear, and analysts are asking whether the bailout is sufficient. "Personally, I am not sure it will be enough," said the senior banker.

Mr Nyachae blamed recent speculation about NBK on disgruntled small bank owners, which he said hoped to force the government into easing Kenya's 13 per cent cash ratio requirement.

But both the finance minister and the central bank have insisted that they will not sacrifice prudential and fiscal management to bail out private banks.

An International Monetary Fund mission left Kenya yesterday after examining the state of the country's banking sector, and is expected to issue a report shortly.

Sacks of World Food Program corn airdropped in Sudan last July. Food developed for famine relief could have wider uses AP

CHILD NUTRITION KENYAN BISCUIT MAKER'S FOOD PRODUCT COULD IMPROVE DIET OF POOR

Feasting on famine food

By Mark Turner in Nairobi

A Kenyan company's ambitions to place its specialised famine relief goods on the wider baby food market have cut to the heart of a growing debate in the aid world: how to harness private industry for developmental aims.

For the past 10 years, House of Manji – best known to Kenyans as a household biscuit manufacturer – has been carving out a name for itself as a small-scale but flexible producer of high-energy protein-enriched biscuits, shipped by the World Food Programme to feed displaced people throughout East Africa.

With help from the UN's child health arm Unicef and the WFP, it recently expanded into the world of blended food, producing a maize-soya mix which, when enriched with the correct vitamins and minerals, offers famine victims a balanced diet which is both cheap and accessible.

"It is not too expensive, and it doesn't change feeding habits," explains Stuart Allison, from the House of Manji's famine product division. "It is very similar to ground maize, and can be used to make *ugali* [corn meal], chapatis and buns."

But growing evidence that micronutrient-enhanced blends can significantly improve children's brain development has prompted the company to look to a potentially far larger and more stable market – baby food.

In a continent where mother's milk is often HIV-infected, and traditional foods can lead to severe growth deficiencies, babies and small children could benefit substantially from more balanced products, as long as they are affordable.

"There is a real problem trying to get the right vitamins and minerals to the juvenile population," says Mr Allison. "We are now trying to get our product into local orphanages, churches and women's groups."

Micronutrient-enhanced blends can improve children's brain development

His chosen strategy – using community networks to promote a product without the usual advertising hype – is an increasingly interesting technique being developed by aid organisations, known as social marketing.

It has two advantages: first, it allows a far cheaper product, helping low-income populations to acquire beneficial goods without paying for pretty packages, and enables the groups that circulate them to earn money on the side.

Social marketing also helps to side-step the branding pitfalls that can accompany products associated with aid agency give-aways

Mr Allison is wary, for example, not to suffer the same fate as an Ethiopian corn-soya blend known as Fafa, which proved impossible to sell after it was distributed by aid groups during the mid-1980s.

"People would not buy it any longer, as they saw it as a free product," he said. With social marketing there is no need to establish a high-profile brand, which can later lose value and sink the product.

Keen to spread cheap but effective nutrition to the wider community, Unicef and a large bilateral aid agency, which has asked not to be named, have started analysing the Manji product for effectiveness, and plan to start a feasibility study on its marketing early next year. If the results are positive, they will help House of Manji gain access to community organisations.

"This product could be good for everyone," said a nutritionist with the aid agency. "If it actually reaches our target population, it would be terrific."

Yet a fundamental problem remains: if non-profit organisations are seen to be helping a private company, they can find themselves in philosophical hot water and lose the support of their funders.

Marinus Gotink, a nutritionist from Unicef, was clear about his organisation's position: "Yes, we are discussing how to create a broad base for products of the type they are marketing," he said. "But we have no business in promotion. We do not want under any circumstances to link the Unicef logo and name to a private company."

The key, says the nutritionist, is to establish without any room for doubt the product's effectiveness, and then to ensure it is sold on a virtually non-profit basis.

But the irony is that without Unicef's initial support, House of Manji might never have developed the blended food in the first place.

Corporate radar.

FINANCIAL TIMES
No FT, no comment.

هكذا من الاجل

What, exactly,

is the best way to

share

a thought?

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Hong Kong data deflate optimism

By Louise Lucas in Hong Kong

Glimmers of optimism on the Hong Kong economy were dashed yesterday by government figures showing negligible inflation and the biggest drop yet in retail sales.

The consumer price index in October was only 0.1 per cent higher than the previous year, showing that Hong Kong is firmly on track to enter a period of deflation.

This undermines one of the strongest indicators for recovery – lower interest rates. Deflation means that while the nominal level of interest rates is falling, real rates are rising. "Finally we've got bingo here," said Dong Tao, senior economist at Credit Suisse First Boston. "Deflation is going to be much worse than the government predicted. It's going to be severe – we've just seen the beginning of this."

More gloom was provided by the retail statistics for September, which showed a year-on-year plunge of 21 per cent in volume terms and 22 per cent in value terms. Retail sales have been falling steeply throughout the year but the September figures showed the biggest yearly decline so far. Cars took the worst hit, with sales down 53 per cent in value. The government attributed the retail slide to depressed consumer sentiment, a result of volatility in the financial markets.

However, stability started to return to the markets in September. August was Hong Kong's worst month after a speculative attack on the currency, which prompted the government to launch an unprecedented buying spree on the stock market.

That move, aimed at eliminating speculators from the market, was a qualified success but the intervention raised new uncertainties in the minds of international investors and the public.

By the end of September, interbank interest rates – which had soared during the speculative attack – had softened. This prompted the commercial banks to cut their lending rates, most recently last Friday.

Lower interest rates delivered a boost to sentiment, and helped property prices creep upwards in recent weeks. Crowds of buyers descended on a development at the weekend, buying some 85 per cent of the 1,268 flats on offer.

That interest is likely to be tamed as deflation erodes the cuts in interest rates. The government said one factor behind the flat inflation was the government's property rates refund in the fourth quarter to help stimulate the economy.

But Mr Tao added that rentals are also dragging inflation down. Residential rents are fixed for 12 to 15 months, which means falls in rents lag those of property prices and are only just starting to make an impact.

Other negative indicators for the economy include unemployment at a 17-year high and expected to climb higher. Government figures due on Friday are forecast to show a decline in third-quarter gross domestic product of around 7 per cent.

Worst of Asia's crisis 'may be over'

By Tony Tassell in Manila

The worst of the economic crisis seen in Asia over the past 18 months may be over, the Asian Development Bank (ADB) has forecast.

Jungsoo Lee, chief economist at the Manila-based institution, said some countries still faced a long road to recovery and were not likely to see positive gross domestic product growth until 2000.

Overall economic growth for the 23 Asian developing countries, excluding Japan, surveyed by the ADB was expected to rise to 3.4 per cent in 1999 after a 1.9 per cent decline in 1998.

However, the aggregate forecast was bolstered by relatively insulated China and India, which were forecast to see 6 per cent and 5.2 per cent growth respectively in 1999.

Indonesia, Malaysia, Korea and Hong Kong were forecast to remain in negative territory next year although the rate of economic contraction in the region was expected to slow.

"A return to more normal levels of economic growth, seen by these countries in the past, is likely to take a few more years. Systemic crises take time to resolve," Mr Lee said.

He said that past studies indicated that a recovery from a "relatively simple" currency crisis focused on current account problems tended to take about a year. More systemic crises involving the banking sector tended to take an average of three years to resolve.

Mr Lee said also it would be "very difficult" for Asian countries to achieve a recovery in export growth while domestic demand in the region remained subdued. Before the current economic crisis in the region, intra-regional trade accounted for 53 per cent of Asian exports.

He said that in the past decade, much of the growth in Asia had been supported by large capital inflows but now some countries were likely to face outflows.

While private capital outflows were expected to fall from $24.6bn in 1998 to $15.1bn in 1999, official fund inflows from sources such as multilateral agencies were expected to drop to $5bn from $28.3bn over the same period.

Mr Lee said although the IIF forecast may be pessimistic, capital inflows would be subdued at best.

He said a positive factor for the region was the $30bn stimulus package provided by Japan and a likely improvement in that country's economy following long-awaited reforms. "My view is that Japan is very close to or may have even passed a turning point."

However, risks remained for Asia, including political instability and structural problems in China in the banking sector and state-owned enterprises. M.G. Quibria, ADB assistant chief economist, said it would be difficult to for Asian countries to revive confidence without political stability.

ADB forecasts for GDP growth

Country	1998 (%)	1999 (%)
Hong Kong	-5	-2
S.Korea	-5	-1
Singapore	0	+1
Taiwan	+5	+5.2
Indonesia	-16	-3
Malaysia	-6	-2
Thailand	-7	+0.5
Philippines	+0.2	+1.0
China	+6.5	+6.0
India	+5.0	+5.2
Pakistan	+5.4	+4.3
Sri Lanka	+6.2	+6.2

Source: Asian Development Bank

Indonesia riots 'provoked' by power struggle

By Sander Thoenes in Jakarta

Religious leaders and politicians in Indonesia yesterday said the latest outbreak of religious riots was provoked by political power struggles and warned of more violence as the death toll from the clashes rose to 14.

Rescue workers yesterday pulled eight bodies from a torched gambling hall, the first of dozens of buildings burnt or damaged in riots on Sunday. Six men had been stabbed and beaten to death in clashes between Catholic Ambonese and large gangs of Moslems, which sparked a series of attacks on Christian churches and schools.

Abdurrahman Wahid, leader of the largest organisation of orthodox Moslems, joined Megawati Sukarnoputri, the opposition leader, in urging Indonesians not to let themselves be used for political battles. "The violence was not spontaneous," newspapers quoted them yesterday as saying. "There were certain groups of people who purposely led the mobs to destroy churches. We must be wary of their tricks."

Many Indonesians have made such statements, including President B.J. Habibie, both in reaction to Sunday's riots and to violence in recent months.

Few ever name the culprits but there are signs that Indonesians are being provoked into religious strife even when there is no religious issue at stake.

Some of Sunday's rioters waved flags of a Moslem party, which yesterday disclaimed any role in the clashes and suggested that the flags had been stolen. Earlier this month, gangs of armed youths, many of whom admitted to being paid to protest in support of the government, donned Islamic headbands and shouted "Allah is great" as they clashed with student protesters who lacked any religious agenda.

Mr Wahid and other religious leaders have accused the military of organising a spate of attacks on sorcerers and Islamic teachers of rival groups, killing more than 100 in a presumed effort to divide and rule and spark calls for military rule.

Many fear increased religious strife in the campaign for parliamentary elections, scheduled for May or June. At least 100 parties have registered, including more than 20 catering exclusively to Moslems.

But Abdillah Toha, leader of a Moslem party, pointed to the democratic vote of 1955 to argue the campaign could be peaceful if only the military and troublemakers stayed out of it. "There were lots of parties but there was no killing," he said. "The army did not interfere. When there is no interference from the government, there is no violence."

A parishioner in a ransacked Catholic church in Jakarta AP

Tokyo thrown into turmoil over coalition

By Michiyo Nakamoto in Tokyo

The Japanese government was in turmoil yesterday after an agreement by the ruling Liberal Democratic party to form a coalition with the opposition Liberal party came close to collapse.

Ichiro Ozawa, leader of the Liberal party, criticised comments by LDP leaders suggesting that policy agreements were between party heads, not between the parties, and therefore not binding. He warned that unless principles agreed with Keizo Obuchi, the prime minister, were adopted, there would be no coalition and a general election should be held as soon as possible.

In particular, he said that an agreement to reduce the number of cabinet ministers from 20 to 17 should be carried out immediately in a cabinet reshuffle.

However, Yoshiro Mori, LDP secretary-general, said there was no need for immediate action as cabinet posts would be reduced when the number of ministries was reduced in line with reform proposals.

Mr Ozawa also indicated he was still aiming for a temporary freeze of the 5 per cent consumption tax, which is unacceptable to the LDP.

Mr Obuchi and Mr Ozawa had signed a document indicating their intent to form a coalition. But the recent tensions illustrate the lack of firm agreement between the two sides.

LDP leaders backing the coalition stressed that the alliance would help stabilise the government and enable the governing party to pass crucial legislation through the Diet. Although the emergency budget does not need to be passed by the upper house, where the LDP lacks a majority, legislation related to the budget and key bills to implement new US-Japan security guidelines will need Diet approval.

The coalition, which was agreed hastily without conducting the usual motions of building a consensus within the LDP, has sparked outrage among key LDP politicians who are antagonistic to Mr Ozawa.

Junichiro Koizumi, former health minister, criticised the agreement and said the LDP migdht have won the Liberal party's co-operation but it was unlikely to win the support of the public.

In a weekend poll by the liberal national daily, the Asahi Shimbun, 45 per cent of respondents disapproved of the coalition due to its ambiguous motives.

Many LDP politicians are unhappy about the alliance with Mr Ozawa, whom the party has long considered enemy number one. Mr Ozawa's departure from the LDP in 1993, which triggered a party split, was widely blamed for the party's loss of its upper house majority. Hiromu Nonaka, the powerful chief cabinet secretary, once went so far as to call Mr Ozawa a "devil".

The Liberal party, meanwhile, risks losing the support of loyal followers who believed Mr Ozawa's aim was to force the LDP out of government and revolutionise Japanese politics.

If the return of Mr Ozawa's conservative elements to the LDP triggers the defection of the party's more liberal members, it may yet be Mr Ozawa who has the last laugh. But if the coalition crashes before it takes off, Mr Ozawa's Liberal party could face a slow route to oblivion.

BJP faces severe reverse in first electoral test

By Mark Nicholson in New Delhi

India's governing Bharatiya Janata party (BJP) this week faces a jolting reverse in its first electoral test since taking office eight months ago, opinion polls suggest.

Up to 83m people can vote tomorrow in four state assembly elections in Madhya Pradesh, Rajasthan, Delhi and the tiny north-eastern state of Mizoram.

The polls are seen as a referendum on the performance of the BJP-led central government, which is reeling under opposition attacks of mismanagement, notably of presiding over soaring food prices.

Analysts and opposition politicians have suggested that a sharp swing against the BJP in the northern states of Madhya Pradesh, Rajasthan and Delhi could rock the BJP's increasingly fragile governing 18-party coalition, formed after last April's general elections.

Such a result may galvanise a newly confident Congress party, the biggest national opposition grouping, into manoeuvring to oust the BJP from power. "If Congress wins all three major states, then it's the endgame for the government," said Jairam Ramesh, a Congress party secretary.

The state elections are unusual in being a direct contest between the BJP and Congress. The BJP is fighting to retain control of Rajasthan and Delhi, while vying to oust Congress from Madhya Pradesh.

Most opinion polls have suggested the electorates will once again vote strongly against the incumbent party, following the pattern of recent Indian elections. Half the sitting MPs before the last general election were voted out of office.

This trend would see Congress winning in Rajasthan and the symbolically important Delhi, while offering a small swing to the BJP in Madhya Pradesh.

The latest and broadest opinion poll, published at the weekend in India Today, shows the BJP lagging in all three main northern states. The poll of more than 12,400 voters shows a 16 per cent swing towards Congress in Delhi – a traditional BJP stronghold – and an 8 per cent swing to Congress in Rajasthan, which the BJP has held in two previous elections. The projected swing to the BJP in Madhya Pradesh might not be sufficient to give it victory.

The poll also finds, as have most others, that voters across north India are preoccupied with the recent sharp rises in food prices, notably onions and potatoes, though the BJP government rode an unprecedented wave of nationalist euphoria six months ago after detonating five nuclear test blasts.

In Rajasthan, where the tests were conducted, the poll found that just 25 per cent of respondents said the nuclear tests would influence their vote, while 46 per cent said they would not. Food prices were top of Rajasthani voters' concerns.

The election results and resultant political manoeuvring are likely to dominate the re-opening of India's parliament for the winter session next Monday – a three-week sitting with a heavy legislative agenda, including several crucial economic bills.

A strong electoral rebuff for the BJP is expected to place further distance between the Hindu nationalist party and its regional allies, some of which have already signalled growing frustration with the party's governing record.

A decisive swing to Congress would also increase pressure from within that party, and from other smaller opposition parties, to seek to topple the BJP and perhaps force fresh general elections next spring.

Sonia Gandhi, Congress president, who is credited with having instilled renewed discipline into it, has consistently said she would not move unilaterally to topple the BJP coalition.

But she has insisted Congress would not shirk its "constitutional responsibilities" to form an alternative administration if the coalition dissolved under its own "internal contradictions".

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NOTICE OF MEETING
Dear Shareholder,
We have the pleasure of inviting you to attend the Annual General Meeting of shareholders, which will be held on December 3, 1998 at 11.00 a.m. at the registered office at 47 Boulevard Royal, L-2449 Luxembourg, with the following agenda:
AGENDA
1. Presentation of the reports of the Board of Directors and of the Auditor.
2. Approval of the balance sheet, profit and loss account as of September 30, 1998.
3. Discharge to be granted to the Directors for the financial year ended September 30, 1998.
4. Action on nomination for the election of The Hon. J. Ogilvy, André Elvinger, Roberto Seiler, Karen Clarke and Uday Khemka as Directors and PriceWaterhouseCoopers as Auditors for the ensuing year.
5. Any other business which may be properly brought before the meeting.
The shareholders are advised that no quorum for the items of the agenda is required, and that the decisions will be taken at the majority vote of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.
By order of the Board of Directors

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	UNITED STATES					JAPAN					GERMANY				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1988	113.0	110.7	5.4	104.9	100.6	122.6	113.1	2.5	135.2	98.4	109.1	106.3	6.2	165.1	92.7
1989	115.5	112.7	5.2	97.9	100.1	132.6	119.7	2.2	146.3	102.5	111.9	111.4	5.6	219.5	96.7
1990	116.2	112.4	5.5	82.7	93.7	141.6	124.5	2.1	149.8	98.9	119.7	117.2	4.8	261.9	98.3
1991	113.3	110.2	6.8	61.7	96.1	144.5	126.8	2.1	144.2	95.3	125.0	121.7	4.2	297.9	95.5
1992	117.0	113.6	7.4	61.8	103.3	139.7	119.0	2.1	124.2	91.0	122.8	120.0	7.7	287.9	88.5
1993	122.2	117.7	6.8	67.7	106.7	131.7	113.6	2.5	105.8	92.5	118.7	112.6	7.9	229.0	93.5
1994	129.2	124.0	6.0	79.0	112.9	129.4	114.5	2.9	99.4	97.4	117.8	117.6	8.4	241.2	102.4
1995	132.6	130.2	5.5	79.3	115.9	128.4	118.5	3.1	103.2	99.6	118.5	119.4	8.2	268.3	98.1
1996	137.5	134.7	5.4	77.0	120.6	132.6	121.7	3.3	115.3	100.7	117.2	119.0	8.8	274.1	101.6
1997	143.0	141.4	4.9	79.0	128.0	132.0	126.8	3.4	120.6	97.5	115.7	112.5	9.7	282.8	109.2
3rd qtr.1997	4.8	4.9	4.8	78.6	128.0	−1.5	3.9	3.4	123.8	99.8	−3.1	2.7	10.1	285.6	109.5
4th qtr.1997	4.0	5.8	4.6	80.0	128.0	−2.9	−0.7	3.4	121.3	97.5	−1.6	3.3	10.3	298.3	109.2
1st qtr.1998	5.1	4.7	4.6	81.7	129.1	−9.0	−3.9	3.6	112.8	96.5	0.4	5.7	10.0	318.9	111.6
2nd qtr.1998	7.6	4.0	4.4	80.3	128.3		−8.5	4.2	107.2	96.3	−1.5	3.4	9.8	364.1	111.6
November	4.2	5.8	4.6	82.6	128.3	−2.1	−2.7	3.5	119.2	98.2	−2.4	2.9	10.3	300.8	109.0
December	4.6	5.7	4.6	78.9	128.0	−4.4	−0.9	3.4	122.0	97.5	−2.7	3.2	10.3	301.6	109.2
January 1998	4.8	5.4	4.6	79.6	127.9	−1.8	−2.6	3.5	113.9	97.4	0.3	7.8	10.1	302.5	109.9
February	4.9	4.3	4.6	82.2	128.1	−5.2	−3.9	3.6	109.7	96.8	−0.2	4.9	10.0	317.5	110.9
March	5.5	4.5	4.7	83.2	129.1	−18.0	−5.1	3.8	114.7	96.5	1.0	4.4	10.0	336.6	111.6
April	7.0	4.3	4.3	80.0	128.9	10.8	−6.6	4.1	108.8	96.0	−1.6	3.0	10.0	352.5	111.4
May	8.2	4.5	4.3	80.3	128.5		−11.2	4.3	101.8	96.2	−0.2	5.5	9.8	369.1	111.6
June	7.6	3.2	4.5	80.4	128.3		−7.6	4.3	111.0	96.3	−2.8	1.6	9.7	370.8	111.8
July	5.6	2.1		81.4	128.3		−9.2	4.1	106.9	96.3	3.1	2.8	9.6	369.1	111.6
August	5.0	3.0		82.2	127.9		−8.2		109.0	96.2	2.2	5.6	9.6	377.5	110.2
September		2.3		78.3	126.2		−7.5		106.1	96.8	0.1	2.1		372.5	108.8
October		1.4													

	FRANCE					ITALY				UNITED KINGDOM				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1988	107.9	107.2	10.0	135.3	101.4	107.9	114.3	10.0	100.3	117.8	111.7	8.6	144.0	96.4
1989	109.5	111.1	9.4	160.6	101.4	116.9	118.7	10.0	98.3	120.1	114.0	7.2	124.3	95.3
1990	110.4	112.8	8.9	163.2	95.0	114.4	118.0	9.1	94.0	121.1	113.7	6.9	97.7	92.3
1991	110.2	111.5	9.4	128.2	96.4	114.6	116.9	8.8	97.4	119.4	109.9	8.8	68.6	97.4
1992	110.5	110.1	10.4	109.5	95.8	116.9	115.4	9.0	91.4	120.4	110.2	10.1	69.6	101.0
1993	110.7	105.9	11.7	90.0	98.1	113.5	113.0	10.3	99.1	123.9	112.6	10.4	76.5	106.8
1994	110.5	110.0	12.3	104.1	104.0	106.5	119.9	11.4	104.7	128.5	118.7	9.5	93.7	110.5
1995	110.6	112.4	11.6		98.4	101.3	127.3	11.9	103.6	129.9	121.2	8.7	107.4	110.1
1996	110.2	112.6	12.3		101.7	98.9	123.7	12.0	106.1	133.7	122.6	8.2	131.1	113.6
1997	111.3	116.8	12.5		106.4	105.6	127.1		114.7	140.7	124.3	7.0	162.0	115.5
3rd qtr.1997	1.7	5.0	12.5		106.1	8.7	3.4	12.1	112.7	5.3	1.2	6.7	165.3	114.7
4th qtr.1997	3.0	6.2	12.4		106.4	7.9	5.6	12.1	114.7	5.1	0.3	6.5	165.0	115.5
1st qtr.1998	2.3	7.2	12.1		108.3	3.0	3.4	12.1	116.8	4.7	−0.1	6.4	159.0	115.0
2nd qtr.1998	3.3	5.5	11.9		109.9	4.0	1.3	12.3	115.0	3.2	1.0	6.2	166.5	114.0
November	−0.5	4.9	12.4		106.3	7.4	4.5	n.a.	113.8	4.3	−0.1	6.5	161.7	115.8
December	5.3	7.1	12.3		106.4	7.8	7.8	n.a.	114.7	5.2	−0.2	6.4	160.1	115.5
January 1998	5.8	6.5	12.2		106.8	2.9	6.5	n.a.	116.0	6.6	−1.1	6.4	155.5	115.4
February	2.0	6.6	12.1		107.4	3.5	2.4	n.a.	116.6	4.1	−0.4	6.5	160.3	115.2
March	−0.6	8.4	12.0		108.3	2.6	1.3	n.a.	116.7	3.4	1.3	6.4	161.4	115.0
April	4.0	4.4	11.9		108.6	3.0	0.7	n.a.	116.4	3.4	1.5	6.3	162.4	114.5
May	1.2	5.8	11.9		109.1	4.1	2.9	n.a.	115.7	4.4	0.5	6.3	168.1	114.0
June	4.9	6.1	11.8		109.9	5.0	0.3	n.a.	115.0	1.8	1.1	6.2	169.0	113.7
July	2.9	3.3	11.8		110.5	3.9	1.5	n.a.	114.4	2.7	0.0	6.3	169.5	113.2
August	2.0	3.3	11.8		110.9	3.0	−1.6	n.a.	113.6	2.5	0.7		169.0	112.3
September	2.5	3.0	11.7		110.6		1.5			3.6	0.6		171.3	
October					108.8					1.0				

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

هكذا من الاصل

Ministers in Brazil quit over sell-off

By John Barham in São Paulo and Richard Lapper in London

Two Brazilian cabinet ministers and another top official resigned yesterday after it emerged they had influenced the $19bn privatisation of Telebrás, the telecommunications company.

Although the departures are a personal blow to President Fernando Henrique Cardoso, they could defuse tensions in Congress as the government pushes through an ambitious austerity programme, an essential condition for a $41.5bn package of international financial support led by the International Monetary Fund.

Luiz Carlos Mendonça de Barros, the communications minister, Jose Roberto Mendonça de Barros, his brother, who was foreign trade secretary, and André Lara Resende, the head of the National Development Bank (BNDES), had been under fire since excerpts of taped conversations appeared in the local press earlier this month.

Opposition deputies alleged the tapes showed the government had tried to favour the Opportunity consortium, a Rio de Janeiro investment fund, in the bidding for Tele Norte Leste, one of 12 Telebrás subsidiaries sold earlier this year.

Mr Mendonça de Barros said last week the government had been trying to stimulate as much competition as possible. The fact that the Opportunity consortium, which was run by a former central bank president, did not buy Tele Norte Leste showed that it had not received favourable treatment, he said.

Brazilian markets reacted calmly to the news, though it had not been expected. By early afternoon, the Bovespa index of leading Brazilian shares had gained more than 1 per cent.

"They will be missed in the privatisation process," said Carlos Kawall, chief economist at Citibank in São Paulo. "But this will not damage the prospects for fiscal adjustment."

Pedro Malan, the finance minister, said the privatisation process from which Brazil expects to generate a further $42bn in revenues "will go ahead as planned. It would have been easier with them aboard but it is business as usual."

Although the published excerpts of the tapes do not show that Mr Mendonça de Barros used his position to enrich himself, commentators said the government had to avoid any suspicion of wrongdoing in the privatisation process.

David Wheeler, of Bear Stearns, the US investment bank, said "everyone involved in the affair has now quit. The government wants to nip this thing in the bud."

Francisco Gros, who heads the São Paulo office of Morgan Stanley, another US investment bank, and a former central bank chairman, said the scandal demonstrated that intervention in markets by government officials is still far too common in Brazil in spite of great advances in liberalisation.

FILM SECTOR UNEXPECTED SUCCESSES GIVE A LATE BOOST TO REVENUES

US cinema set to break box office records

By Christopher Parkes in Los Angeles

Helped by a late boost from unexpected successes, the US cinema is now certain to set a box office revenue record this year.

Aggregate ticket sales went over $6bn at the weekend after *The Rugrats Movie* surprised even its most ardent industry fans by taking in about $28m, and setting the year's total on course for about $7bn.

Much credit will go to 'Titanic', which grossed more than $600m

Cinema attendance has also increased 5 per cent over last year, when the national audience was the biggest in almost 30 years.

While much of the credit for the advance will go to *Titanic*, which grossed more than $600m in the US, ticket sales have been strongly supported by unlikely big winners which have appealed to a wider audience than the 18-to-25-year-olds for whom they were intended.

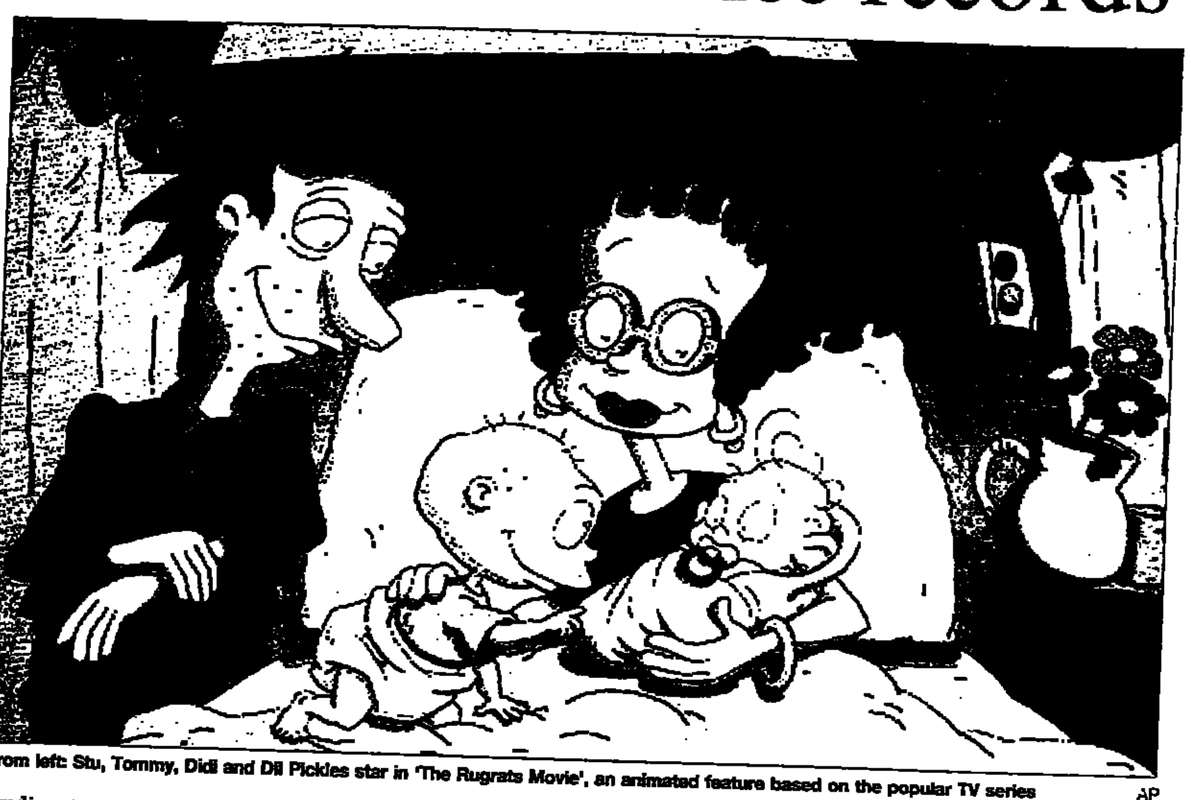
The biggest surprise to date came from Walt Disney, which earlier this month saw *The Waterboy*, a low-budget American football comedy, sell $39m worth of tickets in its opening weekend.

Taking another $16m last weekend, it reached official blockbuster status with aggregate sales of more than $100m in three weeks.

The Rugrats Movie, an animated Paramount production spun off from the highest rated children's television series, had been expected to gross about $20m and come in second to Disney's *Enemy of the State*, which also opened last weekend.

But despite strong reviews and stars Will Smith and Gene Hackman, the political thriller had to settle for second place with revenues of $20m.

Celebrity, the only other new release of the weekend, was tenth with about $1.7m ticket sales despite the reputation of its director, Woody Allen, and the presence of heart-throb Leonardo di Caprio in the ensemble cast.



From left: Stu, Tommy, Didi and Dil Pickles star in 'The Rugrats Movie', an animated feature based on the popular TV series AP

Although the end of the year is usually the time for studios to crowd cinemas with selections they favour for Oscar nominations, the holiday season which starts with this week's Thanksgiving celebrations is also packed with candidates for big ticket sales.

Disney has *A Bug's Life*, its second computer-generated feature from Pixar, which made *Toy Story*, while Dreamworks, which has already had a hit with the look-alike *Antz*, will challenge Disney again with its first conventional animation effort, *Prince of Egypt*.

Heavily promoted, this version of the story of Moses is already heavily tipped for commercial success and a clutch of Oscars next year.

NEWS DIGEST

CANADA MINISTER IS FIRST CASUALTY

Solicitor-general resigns over Apec controversy

Canada's solicitor-general resigned yesterday, becoming the first political casualty in the controversy over the government's role in the crackdown on demonstrators at last year's Asia-Pacific Economic Co-operation summit.

Andy Scott quit after he was overheard making comments that critics said could prejudice the outcome of a public inquiry into police behaviour at the summit. As solicitor-general, Mr Scott had responsibility for Canada's federal police, the RCMP, which are accused of using excessive force against students demonstrating in Vancouver.

In a statement yesterday from his home in New Brunswick, Mr Scott insisted he had done nothing to influence the outcome of the inquiry, but acknowledged he had become vulnerable to that accusation. "I came to the conclusion that I am now part of the process and therefore I step down as solicitor-general," he said.

Jean Chretien, the prime minister, has been embarrassed by revelations that his office encouraged a crackdown on demonstrators in order to avoid upsetting Indonesia's former president Suharto. **Edward Alden, Toronto**

PENTAGON'S ASIA REPORT

Crisis a core security concern

The Pentagon said yesterday it viewed Asia's financial crisis as a "core security concern". The assessment was contained in a report on US security strategy for the East Asia-Pacific region released yesterday by the Defence Department.

The report, the fourth it has issued on the subject since the beginning of the decade, emphasised the continuity of US engagement in the area and says its 100,000 military personnel in the region will remain in place. However, it pointed out that new security challenges have emerged since its last report in 1995.

"The Asian financial crisis has shaken the region's assumptions about uninterrupted economic development, and is testing regional economic co-operation, globalisation and the livelihood of two billion Asians," the report said. However, this was not the main, short-term security threat.

"The situation on the Korean peninsula will remain the most serious security threat in the Asia-Pacific region in the near term," it said. **Stephen Fidler, Washington**

CAYMAN ISLANDS LAWS

Tax co-operation rejected

The Cayman Islands has changed the laws under which it will co-operate with other jurisdictions in pursuing serious crimes, but says it will still not help with allegations of fiscal offences such as tax evasion which are not crimes in the territory.

Legislators have removed clauses which made an exemption for fiscal offences among the serious crimes which the legal authorities would help to investigate at the request of the US and the UK. But the alleged offences must meet a "dual criminality test" and be indictable under Caymanian law.

"Tax offences are not indictable in the Cayman Islands as there is no form of direct taxation in the territory," said Richard Coles, the attorney-general. "Alleged tax evasion will not satisfy the dual criminality test. However, we will consider requests for assistance in investigating serious crimes such as narcotics trafficking, fraud and money laundering." **Canute James, Kingston**

On the web today
● Big bucks, bigger ambitions: Bronfman and Turner show the way ● Venezuela: Chávez wants poll on new constitution ● Mexico: 100 police officers arrested
http://www.ft.com/americas

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STATE HEALTH SERVICE LEGISLATION WILL BE AIMED AT PREVENTING MULTIPLYING PRICES OF ESSENTIAL MEDICINES

Drug pricing agreement to become law

By Nicholas Timmins, Public Policy Editor

The government is to formalise the pharmaceutical price regulation scheme, the voluntary agreement that controls UK drug prices.

Health ministers have won room in the planned National Health Service bill to place controls over the 40-year-old agreement.

But legislation on controls is unlikely to be trailed in today's Queen's Speech to parliament, which outlines bills in the coming session.

The controls will aim to crack down on the growing practice by some big companies of selling on out-of-patent drugs – of which they are the sole supplier – to smaller companies which then hike prices two, four or even eightfold. The drugs can be essential to the state health service.

The PPRS controls company profits rather than prices directly. This means big manufacturers can find their prices for older products forced down as they make money on newer products. Once the drug has been sold on, however, small companies can charge much more for the drugs. The price of drugs used to induce labour and prevent haemorrhage after childbirth, for example, have risen seven to eight-fold recently, potentially adding £2m-£3m to hospital maternity departments' costs.

That is an abuse of the system and legislation is needed "to protect the integrity of the PPRS, to protect the integrity of those companies who play the game and to protect the taxpayer", according to a minister.

The switch to statutory control will be strongly resisted by the pharmaceutical industry. "Our fear is that once the scheme is statutory it will be used to control prices in other ways," one industry executive said.

The Association of the British Pharmaceutical Industry has already run a campaign warning that taxes and controls over doctors' use of drugs are driving overseas a business that is Britain's third biggest export earner. The association said yesterday that legislation would be "a retrograde step" and would send "negative signals" to companies planning to invest in Britain.

● Tony Blair, the prime minister, will today unveil a legislative programme of welfare, legal and industrial relations reforms, Robert Peston writes. But he will defer many of his more contentious plans until later in the session.

Today's Queen's Speech at the state opening of parliament will emphasise measures designed to curb the growth of public spending, including restrictions on future claimants of disability benefits and acceleration of the assessment of asylum applicants. The postponed measures include a freedom of information bill, legislation to create a food standards agency, a range of transport measures and comprehensive pensions reform.

On the business front, there will be an e-commerce bill putting in place a legal framework for commercial transactions on the internet.

Fury greets Irish PM's confidence on united island

By John Murray Brown in Dublin

Pro-British unionists in Northern Ireland yesterday rushed to condemn a statement by Bertie Ahern, prime minister of the Republic of Ireland, that there was "an irresistible dynamic" towards a united Ireland.

Mr Ahern said on RTE radio in the republic at the weekend that the process might take 10 to 15 years. "If we can keep the violence out of it, keep away from military action by either loyalists or republicans, then people will look at these things in a different way in future.

"It is up to them, republicans and others who would like to see one jurisdiction in this country, to convince people that this system is better than devolution."

Mr Ahern stressed any change in the constitutional status would have to win the support of a majority of people in Northern Ireland.

Jeffrey Donaldson, the dissident Ulster Unionist MP who voted against the deal, said Mr Ahern's comments confirm "that the Irish government do not regard the Good Friday agreement as a political settlement but rather a staging post to the achievement of their objective which is a united Ireland".

The UUP, the biggest pro-British party in Northern Ireland, supported the peace agreement.

Peter Robinson, deputy leader of the smaller Democratic Unionist party, said Mr Ahern had not seen "the full force of the will of unionist community". The DUP refused to join the talks which led to the April agreement.

The dispute provides an awkward backdrop to this week's visit by Tony Blair during which the UK prime minister will become the first British leader to address both houses of the Irish parliament.

Implementation of the April agreement has stalled over the issue of the handing over of paramilitary weapons. But evidence emerged yesterday that progress is being made in the contentious area of parades by the Protestant Orange Order.

Mr Blair met a group of leading Orangemen in London yesterday, following a secret weekend meeting between Catholic and Protestant church leaders aimed at resolving the deadlock over the Orange Order's parade at Drumcree, which was re-routed away from a nearby Catholic neighbourhood.

The meeting comes amid signs of continued tension elsewhere in the region with police firing warning shots when a joint army-police patrol was confronted by an angry republican crowd in south Armagh.

Tony Blair with Orange Order leaders, including (third from right) John McCrea, secretary of the Grand Orange Lodge of Ireland. Mr McCrea said they wanted to complain about an 'apparently orchestrated campaign of demonisation of the Orange institution' PA

Newspaper publisher to hold internet auctions

By Cathy Newman in London

Newsquest, the regional newspaper group that publishes Berrow's Worcester Journal – said to be the world's oldest newspaper – is to hold auctions over the internet.

The group will hold trials in north-east England, allowing the buying and selling of small items online. It plans to roll out the venture across the UK in a few months.

Regional newspapers' classified advertising revenues are threatened by the internet as more people search for jobs and goods online. Groups such as Newsquest have been exploring ways of exploiting the strength of their local print brands on the internet.

Internet auctions are successful businesses in the US and are beginning to take off in the UK. In September, eBay, one of the biggest US internet auction services, made its stock market debut and saw its shares soar more than 163 per cent in its first day of trading.

Newsquest, which reached the London stock market a year ago, will use software from Auction Universe, a US company, to conduct the auctions.

Jim Brown, executive chairman of Newsquest, said: "With the internet, we had originally set out to protect our business. What we've found is another business."

Newsquest earlier this year announced plans to become a "virtual internet access provider" by charging readers for unlimited access to the internet via its local newspaper web sites. It expects to make profits of between £2m and £3m ($5m) from the internet next year.

LEGAL PROFESSION LAW SOCIETY HITS BACK AFTER POLICE REVEAL PROBE INTO SIX CITY OF LONDON FIRMS

Dirty-money investigators 'lawyer bashing'

By Robert Rice and John Mason

The Law Society yesterday accused the National Criminal Intelligence Service of "lawyer bashing" after it revealed it was investigating six City firms on suspicion of laundering drug cartel money.

The Law Society said it was totally misleading to suggest that solicitors were the main problem for the authorities in their efforts to crackdown on money laundering. Solicitors are lawyers with limited powers of advocacy in higher courts.

"We're not saying no solicitor has ever been involved in money laundering but a minimal amount of dirty money goes through solicitors' firms. Banks and finance houses are the main targets, so to suggest it is a lawyer problem is foolish," the society said.

The NCIS confirmed that about six firms were being investigated for suspected money laundering on behalf on organised crime. But it admitted that prosecutions of lawyers for money laundering were "very, very rare".

The NCIS refused to identify the firms but said they were all well known within the City of London. Some were very big firms with only one or two individuals within them under suspicion, it said.

The investigations result from intelligence gathered by the NCIS and are being carried out by police forces and other agencies throughout south-east England. The City of London police are not involved.

In August the NCIS accused lawyers of turning a blind eye to money laundering after revealing that only 236 of the 14,000 tip-offs it received in 1997 came from lawyers. This was down from 300 in 1996.

The revelation that it is investigating law firms comes two weeks after Jack Straw, home secretary, announced plans to tighten money laundering laws.

The government's plans include a proposal to extend the offence of failure to disclose knowledge or suspicion of money laundering. At present it is only an offence for lawyers and other professionals to fail to report a client they suspect of involvement in drug-trafficking or terrorism. The government plans to extend the law to cover all crimes.

The society said solicitors were not in an easy position. Their first duty was to act in the best interests of their client and before breaking client confidentiality they had to be absolutely certain they were being asked to launder the proceeds of organised crime.

"Making a professional misjudgment a criminal offence is not going to help," it said.

NEWS DIGEST

SINGLE EUROPEAN CURRENCY

Blair welcomes enthusiasm from business leaders

Tony Blair, the prime minister, yesterday praised a pro-euro statement by 114 British business leaders, even though it urges him to make a firmer commitment to join the European single currency. Following its publication in yesterday's Financial Times in the UK, the prime minister's spokesman said: "It's certainly welcome, it's important businessmen engage in the debate about the single currency."

Meanwhile, Niall Fitzgerald, the Unilever chairman and influential Emu campaigner, called on the government last night to set a "conditional date for entry to the single currency". Speaking in London last night, he said: "Business does not want to see Britain relegated to the status of a quaint, off-shore trading post, steadily marginalised from its main market."

But more sceptical businessmen insisted it would be wrong to conclude that there was an overwhelming private sector consensus in favour of euro membership. Tim MelvilleRoss, director-general of the Institute of Directors, said: "It is patently not the sole view of British business that we are in favour of early entry."

He insisted that "we cannot afford to be hauled aboard European political union as if we were running for the last bus home". **Robert Peston, London**

TECHNOLOGY COMPANIES

Support offered for US push

Small British technology companies are to be offered subsidised training and support to break into the US market, under a government scheme launched yesterday. The package includes "mentoring" from a named commercial officer at one of the UK's posts in the US and a tailored marketing course at a university business school. The initiative will run for three years with the Department of Trade and Industry planning for 600 companies to go through the scheme.

The government has received positive feedback from companies involved in a pilot scheme. **David Wighton, London**

THE ECONOMY

More interest rate cuts urged

The Bank of England, the UK central bank, should continue cutting interest rates to ward off recession, according to two leading independent economic forecasting groups. Oxford Economic Forecasting and the London Business School believe the economy is likely to avoid recession narrowly next year, but with the risks clearly on the downside. The groups predict the UK economy will expand by 0.9 per cent next year and 2 per cent in 2000, marginally less than the Treasury predicted in its recent pre-Budget report.

● The first significant falls in house prices for nearly three years have been reported by the Royal Institution of Chartered Surveyors. It said more of its members were reporting falling prices than rising. The falls were concentrated in London and south-east England. **Robert Chote and Christopher Brown-Humes, London**

ANTIQUES

Dealers double turnover

Figures released yesterday by the British Antique Dealers Association – which covers 400 leading dealers – suggested a 50 per cent increase in turnover, to £565m ($949m), in the year ending June. The trade has an estimated turnover approaching £3bn when non-member dealers are taken into account. More than half the sales of Bada members were to overseas buyers, a third of them American.

More than half the dealers responding to a Bada survey reported higher sales in 1997-98, with picture dealers showing the greatest improvement.

The figures indicate the industry is made up of small businesses, with almost half Bada members having a turnover of less than £500,000 and only four with sales in excess of £20m. **Antony Thorncroft, London**

The top school abolition debate that is all about class

The question of the continued existence of selection in state education stirs parents' emotions. **Deborah Hargreaves** explains

Education, education, education, trumpeted Tony Blair as one of his priorities when he became prime minister 18 months ago. He pledged to reduce class sizes, motivate teachers and improve standards. He struck a chord with many parents concerned about under-investment in schools and poor levels of attainment by children.

Now the government is embroiled in a dispute about its plans to help abolish some of Britain's oldest state schools, where many parents fight to send their children.

Britain's remaining 166 grammar schools uphold high standards because of their selective nature. But opponents say they skim off academic pupils, leaving others with a sense of failure and handicapping non-selective comprehensive schools in the same areas.

Critics of grammars want them to become comprehensive schools and admit all pupils from their neighbourhoods like most of the other 4,000 secondary schools.

Since the Conservative party has championed grammar schools, some staunchly Conservative municipal authorities held on to their grammars throughout the rush towards comprehensive education in the 1960s and 1970s. This means many selective schools are today concentrated in leafy regions such as Buckinghamshire and Gloucestershire.

The debate over selective education has raged for the past 40 years. Grammar schools – which are over subscribed for places – have been a traditional route for working and middle class children to go to university. The emotive debate over their continued existence is tied up with Britain's archaic class system.

The picture is further complicated because a minority of parents sends their children to independent schools. David Blunkett, chief education minister in the Labour government, has softened the party's approach to selective education. Labour had proposed to abolish all private schools or – more recently – remove their status as charities, which affords them tax advantages. But it has backed away from these ideas.

In opposition Mr Blunkett vehemently declared there would be no selection by exam or interview. But the Labour party was criticised before the last general election in a spat over the choice of school for Mr Blair's son. The prime minister decided to send him to a high-class comprehensive several miles from the family's home – not the closest school, as Labour advocates.

Labour now says it will not create any new selective schools and will give parents the chance to vote on retaining existing grammar schools. Ballots could be held next year although changes are unlikely to be made before September 2001.

Anti-grammar campaigners welcomed the government's moves to pave the way for ballots, though the rules are so complicated it is difficult to predict their outcome. Two grammar schools in Bristol, in the west of England, have already signalled they will go comprehensive following campaigning by parents.

But five grammar schools in Birmingham in the English Midlands – among the top state schools in the country – said they would go independent if local parents try to turn them into comprehensive schools.

Many parents in the middle income bracket have struggled to move into areas which have selective schools. The pro-grammar camp argues that such parents could scrape together enough money – often more than £1,000 ($1,600) per child per term – for fees to send their children to private schools if they were faced with abolition. This would cream off more pupils to the private sector without raising achievements in local comprehensives.

One of Labour's first moves when it came to power was to phase out a subsidy put in place by the Conservative government to enable less well-off pupils access to private schools. The assisted places scheme had cost around £140m a year, but that money will now be spent on reducing class sizes in state schools for children under 11. For a Labour party that has abandonned much of its leftwing tradition, the move to abolish grammar schools is a radical step.

School rules

■ **Grammar schools** State schools for pupils aged 11 to 18 largely superseded since the 1960s by comprehensive schools. The essential difference between the two types of school is that grammar schools select pupils on the basis of ability while comprehensives are open to all

■ **Comprehensive schools** where most children aged 11 to 18 are educated include many former grammar schools. The Labour party started the comprehensive movement when it held power in the 1960s, pushing many schools to become comprehensive and scorning the system of selection at age 11 as elitist

■ **Independent schools** are highly selective, receive no state grants and include some of the most famous names in Britain including Eton, Harrow and Winchester. There are independent schools for pupils of all ages, and those for teenagers are confusingly called public schools. Almost all parents of pupils at such schools pay fees. In the 1960s some grammar schools switched to independent status to avoid being turned into comprehensives

The world's top 500 survey.
Who's number 1?

The FT 500. The definitive company listing published with the Financial Times on January 21 and 22 1999.

FINANCIAL TIMES
No FT, no comment.

INTERVIEW JOHN KOSS, CHAIRMAN OF KOSS

Sound way to survive among the big boys

Inventors of the first stereo headphones have remained in business by evolving as technology advances, writes **Nikki Tait**

Can innovators survive as niche players when their industries are dominated by multinationals? Ask John Koss, co-inventor of the first stereo headphones.

Forty years ago this month, two hopeful US entrepreneurs walked into Milwaukee's Hotel Wisconsin where a high-fidelity show was taking place. Mr Koss, now in his late 60s but still chairman of the quoted company that bears his name, and Martin Lange, his partner, were trying to enter the rapidly evolving music equipment industry.

"So we thought, well, let's build a portable phonograph," recalls Mr Koss, who was playing trumpet with a jazz band at the time. "And then to be different, we thought we'd use a set of nice stereophones, so people could have private listening."

Turning this idea into reality was not easy. "What happened was that there were no music phones available. Everything was communications equipment left over from the second world war, headphones for switchboard operators and language equipment.

"It didn't have the balance you needed for listening to music. There was really no excitement – like listening to music on the telephone."

Undeterred, Mr Koss got his partner to install miniature hi-fi speakers in the type of headphones used by pilots. "The fact is, we were using a much bigger surface than these [current] little things.

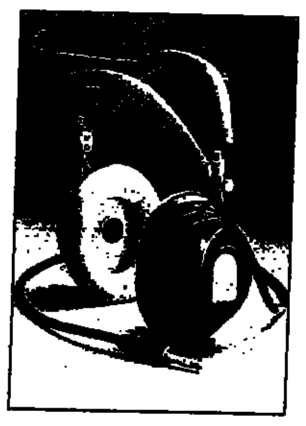
"But that gave the base, the balance and the excitement, even with those first ones. And it turned out that everyone at the show was nuts about the sound – except they didn't like the phonograph."

So just as the Koss stereo headphone was born, the Koss phonograph bit the dust. Today, its inventor looks stoic. "We were about 10 years ahead of our time," he says, philosophically. "Portable phonographs, boom-boxes and so on came on about the 1970s."

But if timing on the portable phonograph was lousy, the stereo headphones were delivered into a highly receptive market. As Mr Koss points out, music was changing rapidly in the 1960s and volumes were getting louder.

College students in particular lapped up the new novelty: "The kids at school, the only thing they wanted was a little school work and a lot of music.

"They had it in their dorms and they couldn't play it loud because they would rock the walls. So 'phones were the only way that they could hear it. Our timing was right."



But Mr Koss's fortunes changed when large competitors, notably Sony, muscled in on its act. The company, formed with family money to manufacture the headphones had little patent protection.

It attempted to diversify, first into products like manual turntables and later into computer speakers.

Some hairy financial periods ensued and in 1984 Koss was forced into bankruptcy, re-emerging a year later.

But today, most of these peripheral activities have been pruned away, and Mr Koss's sons now run the business from the same modest Milwaukee headquarters that have housed the group for the majority of its corporate life.

And, in spite of the upheavals, Koss still leads the $120m-a-year high-fidelity stereo headphone market in the US. Michael Koss, chief executive, claims that the company's tailored focus and the fact that it manufactures locally allows it to be responsive to retailers' demands.

That, in turn, helps to combat some of the competition's size advantage. Sales last year were $40m, of which 87 per cent came from stereo headphones.

The younger Mr Koss also sees some opportunity for expanding sales overseas, especially in Europe, where the lack of uniform distribution and specifications has made the market tough to crack for a relatively small company.

> **'When we brought the phones to the first show, nobody had heard stereo, and it's very exciting when you hear it for the first time'**
>
> John Koss

Hire ambitions: diversification proved near-disastrous for Koss in the early days and resulted in a period of bankruptcy

"Even something as simple as the euro may help," he says. "As the EU becomes one market, you're going to see more cross-border retailing and that's going to improve our position."

The Koss name, meanwhile, has been licensed to a couple of electronics companies, based in Hong Kong and Canada, who use it on a range of audio equipment, from speakers to car stereos.

This has boosted profits by more than $1m annually. The Koss share price has yo-yoed in recent years, but stands at double its mid-1990s level. The Kosses stress they have no plans to sell out.

But one important reason for Koss's survival may be because the technology has advanced significantly over the past 40 years.

"The first breakthrough was that we could get that big bass sound and the music sound. It's hard to remember if you weren't there, but when we brought the 'phones to the first show, nobody had heard stereo, and it's very exciting when you hear it for the first time," says John Koss.

"But then as the technology grew, and we shot people up to the moon, the aim was to make the cone softer and make it do more, so that we could expand it.

"The metals and the magnets changed. It made a big difference to the way we could alter the sound." By the late-1960s, the industry moved to electrostatic stereophones.

"The normal system is a cone, and a magnet that pushes the cone so that it vibrates. With electrostatic, there's nothing pushing, nothing to warp. It was a great innovation."

And then, in the mid-1980s, there were the cordless phones, and a design that put two speakers in each earpiece. The dawn of the digital era, meanwhile, further improved the sound quality that stereo headphones could deliver.

"The better they got in cleaning up their act, taking the distortion out of the amplification, the better we were."

Today, Koss's latest focus is on noise suppression. Mr Koss cites an all-too-familiar experience: "Have you ever been on a plane, trying to listen to a movie which they've played once too often, where the head end of the music sound is about 25 years old?

"And then, to make matters worse, they've got a cheap pair of very inefficient headphones that you have to crank up to override the sound, so that you put all the distortion into them? Then you're supposed to hear what they're saying – it doesn't work.

"By using a noise suppression phone, you eliminate all this and you've got a very efficient result." (The company's Quiet Zone system, which sells for just under $200, works by allowing the listeners to plug earphones into a small box. This, in turn, contains a microprocessor that registers the unwanted noise and sends out "anti-noise" waves that are 180 degrees out of phase and counteract the offending buzz).

The same approach, Mr Koss adds, can help people who are slightly hard of hearing, and have problems with all the peripheral noise at parties or in a restaurant, although he admits that in this case the technology can become "a little expensive".

But he says: "It's a personal interest. I came at this business from the music standpoint. Now we're trying to look at it from another point of view.

"It's fun to combine things we know about at one end of the spectrum with [things at] the other."

FT GUIDE TO EMOTIONAL INTELLIGENCE

Empathy is better than wizardry

So-called 'soft skills'are not to be ignored. **Rob Yeung** identifies them and their impact on your job

There seem to be books and articles all over the place about emotional intelligence. What's it all about?

Emotional intelligence (EQ) – as opposed to traditional intelligence (IQ) – describes a set of abilities, competences or so-called "soft" skills about how people manage themselves and relationships with others.

There are five components, three of which relate to how you manage yourself:

- Self-awareness – recognising your own strengths and weaknesses and knowing how to compensate for them;
- Self-regulation – being able to keep under control emotions such as anger and impulses such as acting without thinking, and knowing when to be flexible and open to change;
- Motivation – having optimism and personal drive.

The remaining two components are concerned with handling other people:

- Empathy – skill in "reading" the emotions and motivations of other people, and being able to anticipate their needs;
- Social skill – an ability to build and manage relationships with clients, customers, colleagues, etc.

Is EQ just the latest management fad?

EQ seems to be in vogue at the moment, but only the term itself is new – the concepts have been around for decades.

There has been a growing realisation that getting ahead is no longer about being a technical wizard or an intellectual genius.

For example, it is commonly accepted that traditional IQ tests fail to predict job performance. Everyone can think of examples of boffins who never made it past middle management because they lacked the right personal qualities, even though they know the company's products better than anyone else.

Instead, it is people who are acknowledged to be charismatic, politically aware, open-minded and confident who sit at the tops of companies. EQ is simply a relatively recently coined label for this set of skills.

But I'm a manager, not a counsellor – who cares if I have empathy or not?

Tough business people almost always initially deride empathy as being unimportant to their roles. However, learning to sell more effectively to clients or customers requires an ability to read people's feelings more accurately to know which buttons to push.

> **You can only learn from your shortcomings if you are fully aware of them**

An accurate understanding of your employees' needs and feelings will help you to find the best way of motivating them or to know how hard you can work them without breaking them.

Now you're talking. Can a higher EQ get me the promotion I want?

It is difficult to imagine any aspect of a job which will not be affected by EQ. Within your own company, having a good sense of political awareness will help you to detect key power relationships and how to deal with conflict. Being self-aware and aware of others will help you to know when to forge ahead and when to take on board advice and give in. The list goes on.

A recent article in the Harvard Business Review by Daniel Goleman estimated that EQ is twice as important as technical skill or IQ in determining top-class performance.

But aren't these just common-sense social skills?

Yes, in the sense that most people understand the concepts because they are straightforward enough. However, most people cannot apply them as effectively as they might. It is akin to understanding the concept of playing a piano but being unable to produce a piece that is aesthetically satisfying.

In addition, many people have very little awareness of their own strengths and weaknesses.

For instance, there is typically a poor correlation between managers' ratings of their own skills and the ratings given by their teams. You can only learn from your shortcomings if you are fully aware of them.

Is EQ innate or learned?

Ah, the age-old question of whether leaders are born or made.

Emotional intelligence resides in a centre of the brain known as the limbic system, which is formed at birth – so a proportion of EQ will be determined in your infancy.

However, the limbic system responds remarkably well to feedback, training and extended practice. In short, EQ is a set of behaviours that can be learned.

So how do you improve your EQ?

Like any skill, EQ can be improved only with a great deal of time and determination. EQ training requires dedication because you may have to confront unpleasant realities – who finds it easy to admit that they are a poor team player or that they find it difficult to be as assertive as they need to be?

Objective feedback on your performance and blind spots from someone outside of your business is vital – employees and colleagues often feel unable to be as honest about your failings as you would like them to be.

Rob Yeung is a business psychologist in the London office of Nicholson McBride

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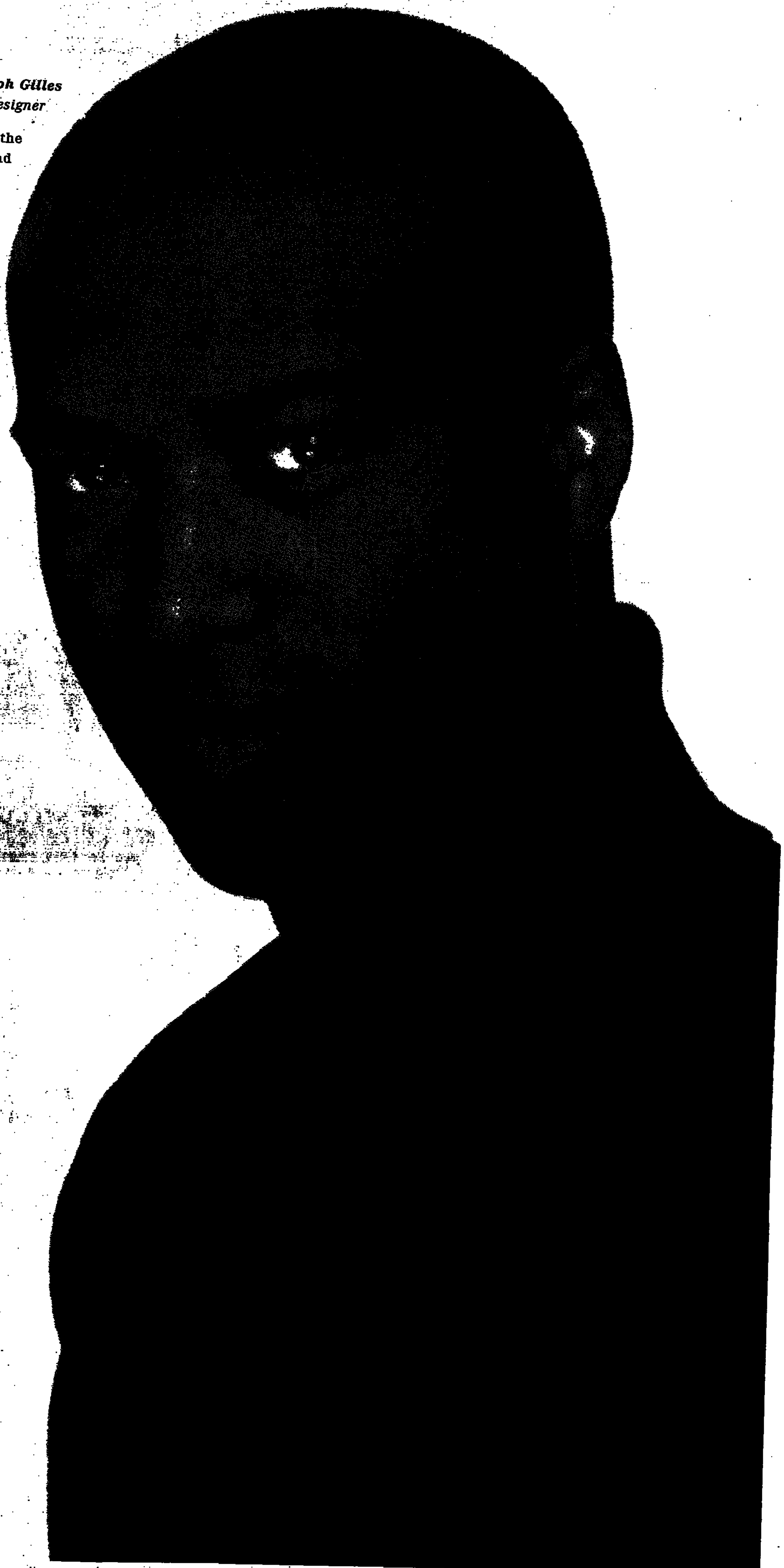

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PEOPLE ON THE MOVE

Gangwal moves to chief executive at US Airways

Stephen Wolf, one of the world's best-known airline executives, has taken another step back from day-to-day control of US Airways, handing over the chief executive's position to rising star **Rakesh Gangwal**.

Wolf, 57, will remain group chairman, taking overall responsibility for strategic direction: but Gangwal – already chief executive of the group's operating arm – will have an expanded role in running the company.

Gangwal, 45, was born in Calcutta and received an engineering degree from the Indian Institute of Technology, followed by an MBA from the Wharton School at the University of Pennsylvania.

He has long been a Wolf protégé. The two first worked together when Wolf was chief executive of UAL, the parent company of United Airlines, and Gangwal was in charge of United's strategic planning.

Gangwal impressed Wolf with his skills in the developing science of yield management, devising pricing strategies that maximised the airline's potential revenues by using different fare levels to fill as many seats as possible.

After leaving UAL in 1994, Wolf took Gangwal with him when he was appointed as a high-level consultant on the restructuring of Air France. Two years later, the pair moved again to US Airways and set about restoring the health of the then ailing airline.

Wolf described Gangwal as "the most talented young executive in the airline business today".

Separately, Wolf said US Airways had appointed **Peter George**, chief executive of Britain's Ladbroke group, to the board, citing George's "great knowledge of the international service and hospitality business". George is chairman of Ladbroke's Hilton International hotel subsidiary.

Richard Tomkins, New York

Melcher heads SLOC in UK

Steve Melcher was yesterday given the challenging task of restoring the fortunes of Sun Life of Canada's UK operations ahead of the likely demutualisation of the parent group next year.

Melcher, 49 (right), will take up the position of general manager of SLOC in the UK next month. He was chief executive of Allied Dunbar, another big UK life assurer that relies mainly on a direct salesforce for its distribution, until last year.

Melcher replaces Maurice Bates who left SLOC in August.

Christopher Brown-Humes, London

New Boeing financial officer

Boeing, the US aircraft maker which has been plagued by production and financial difficulties, has appointed **Deborah Hopkins, 44**, chief financial officer.

The appointment is part of a management reshuffle at Boeing which has resulted in the sacking of Ron Woodard, head of the civil aircraft division, and the retirement of Boyd Givan, Hopkins' predecessor.

Hopkins, who will take up her position on December 14, joins Boeing from General Motors Europe, where she was vice-president, finance. She joined GM in 1995 as general auditor, where she headed a drive to help managers evaluate the risks inherent in achieving their business objectives.

Michael Skapinker, London

McLarty to advise FT

Thomas "Mack" McLarty, a former chief of staff to President Bill Clinton, has joined the international advisory board of the Financial Times.

In five years at the White House and National Economic Council McLarty also served as counsellor to the president and special envoy for the Americas. He left to return to McLarty Companies in July.

Carl Spielvogel, chairman of the board, and Stephen Hill, chief executive of Financial Times Group, paid tribute to McLarty's broad experience in business, economics and government, in particular in Latin America.

Other members of the board, which was set up to advise the newspaper on its expansion in the US, include Sanford Weill, co-chairman of Citigroup, and John Browne, chief executive of British Petroleum.

Crowley heads Molson finance

Patrick Crowley has been appointed executive vice-president and chief financial officer of The Molson Companies, parent of one of Canada's largest breweries.

Crowley, 47, will join Molson in mid-December after stepping down as executive vice-president and chief financial officer at Abitibi-Consolidated, the world's largest newsprint producer. He succeeds Stuart Hartley, who will retire after 20 years with Molson.

Crowley provides the company with experience in both international and consumer products businesses. The newly-named chief financial officer will contribute to the company's efforts to bolster its position in the fiercely competitive Canadian beer market.

Molson has suffered through a decade-long decline during which it has seen arch rival John Labatt match it in market share and surpass it in profitability.

James Arnett, Molson chief executive, has said the company is focusing on increasing volume and exercising effective cost controls. Molson recently announced plans to streamline administration.

The two rivals, which jointly control 90 per cent of the Canadian beer market, are each believed to spend up to C$200m a year on advertising campaigns and price discounting in order to increase market share, often measured in tenths of a percentage point.

Scott Morrison, Toronto

Melcher: to head Sun Life of Canada's UK operation

Esser steps up at Mannesmann

Klaus Esser, who has for some time been a driving force at Mannesmann, the Düsseldorf-based industrial group, can at last step out of the shadow of Joachim Funk, 64, who is stepping down next May as head of the group's executive board.

Esser's confirmation as Funk's successor follows his successful oversight this year of Mannesmann's fast growing telecommunications interests. Mannesmann Mobilfunk and Mannesmann Arcor, are among the strongest rivals in the mobile and fixed markets respectively to Deutsche Telekom, the partially privatised telecoms giant.

Esser, 51, was appointed Mannesmann vice-chairman in February – a move which singled him out as Funk's most likely successor. He has a furious business style – needed to grapple with a conglomerate as diversified as Mannesmann, which was originally best known for its steel tubes business. As well as pushing into telecoms, Mannesmann has streamlined its poor-performing engineering interests.

Esser joined Mannesmann in 1977 after two years at the Massachusetts Institute of Technology. By 1990 he was a member of the board of Mannesmann Demag, one of the group's engineering divisions.

Immediate executive board responsibility for telecoms will now be taken by **Lars Berg**, 51, chief executive of Telia, Sweden's state telecoms group who had previously spent most of his career at Ericsson.

He fills the place vacated by Peter Mihatsch, who oversaw the build up of Mannesmann's telecoms activities but quit in February.

Berg is one of four new appointments to the board, which is being expanded to include members with direct divisional responsibilities. **Georg Acker**, 58-year-old Demag chairman, will take responsibility for engineering interests. **Joachim Rauhut**, 44, becomes chief financial officer. **Peter Gerard**, 51, joins from Deutsche Bank.

Ralph Atkins, Bonn

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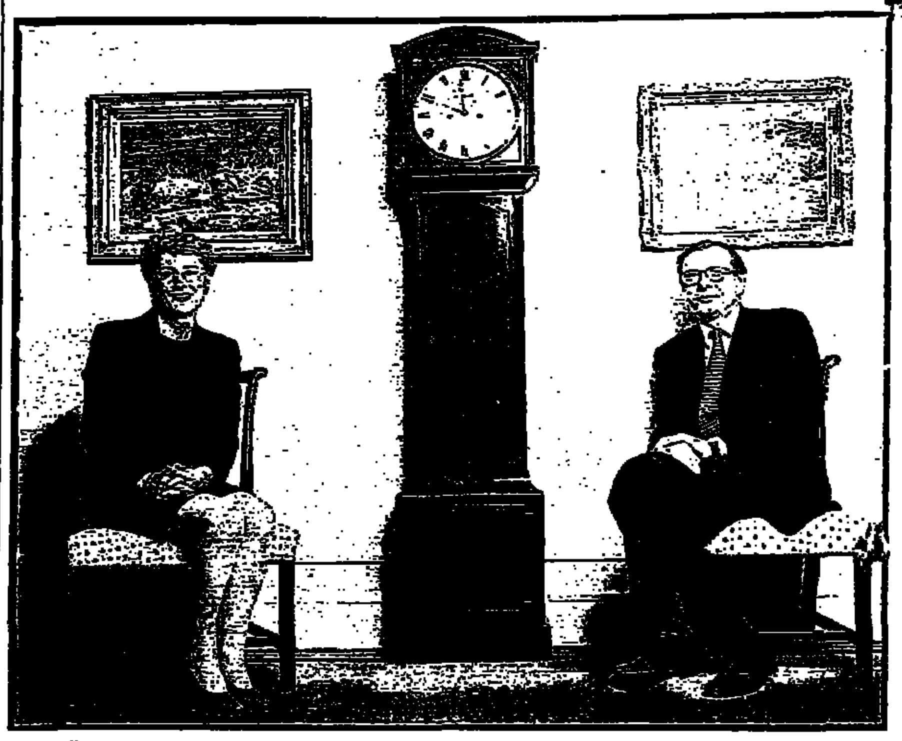

Time will tell for Carole Galley and Stephen Zimmerman, as questions remain over managing growth

MANAGEMENT MERRILL LYNCH MERCURY

Merged assets in search of top form

Jane Martinson looks at the mixed fortunes of one of the world's biggest fund managers a year after its creation

Stephen Zimmerman, co-head of Merrill Lynch Mercury, one of the world's biggest institutional fund managers, says the past year has been a bit like starting at a new school.

The syllabus involved studying Merrill Lynch, the US investment bank which bought Mercury Asset Management, the UK's largest pension fund manager, for £3.1bn a year ago.

Mr Zimmerman, who is approaching 50, joined MAM as a graduate and eventually owned enough of the business to earn about £14m as a result of the takeover. He rejects any suggestion that such riches have changed his behaviour. "The pressure to do well is a self-imposed one. The hunger is still there," he says.

But the year-end report of the newly named MLM leaves some questions about the takeover. Poor performance in part of the group's core UK institutional business has prompted several high-profile client defections.

Rivals and consultants alike question how the investment process at Mercury can adapt to meet the challenges of a global business.

Merrill last month announced 3,400 job cuts and a $500m cost-cutting exercise in response to the collapse in the world's equity markets.

MLM has been largely saved from the job cuts: staff numbers have increased by 244 to more than 1,800 since the beginning of the year.

Yet the company, with $218bn of assets under management, has had to cut costs. Temporary and contract staff have been shed and the group has not been able to increase employee numbers since September.

Both Mr Zimmerman and Carole Galley, co-head of MLM, have taken to their new roles with vigour. But one former colleague says: "Zimmerman has had a new lease of life, while Carole is probably less happy. The UK business is her baby, if it's struggling, she will struggle." Ms Galley declined to be interviewed.

As a symptom of its problems, the company's flagship £4.4bn pooled pension fund came 68th out of 71 funds measured by Caps, the performance measurement group, last year. Several of Mercury's largest clients left after suffering performance some 10 percentage points below the benchmark in some cases.

Such underperformance may not reflect the house average but these results, with individual fund managers appearing to have such an important influence on performance, was particularly worrying to clients.

The problem goes to the heart of the company's ability to manage any future growth. The hallmark independence of Mercury's fund managers becomes more and more difficult as funds under management grow. This is partly because their ability to take large bets is circumscribed by the amount of money they manage.

Mercury introduced asset allocation controls before the merger to prevent such disparity of results. But Mr Zimmerman recognises that such controls must be managed in such a way that fund managers do not feel "reduced to the lowest common denominator" by being unable to follow their own hunches.

He also blames the changing nature of the UK market. The traditional balanced style of management, which gives fund managers discretion to invest in a range of asset classes, has suffered from a move by consultants towards a mixture of index-tracking managers and specialists, who invest in a specific asset class.

MLM has moved into other, faster growing areas of the UK market, such as defined contribution, but its greatest focus is on international fund management. "We look at our business as a global one today," says Mr Zimmerman.

Of the $30bn in new business won since the beginning of the year, about $12bn has come from the US, £6bn from the UK and £5bn from continental Europe, a target region over the next few years. In Japan, another core area, the group has won $4bn in new business.

The US has already provided the first fruits of a merger that was largely predicated on the opportunity of pushing Mercury's fund management expertise through Merrill's extensive US network. This month two Mercury mutual funds, the first to be launched by a company that had previously failed to make much headway in the US, attracted almost $680m in spite of market turmoil this autumn.

Michael Lipper, the head of Lipper Analytical, says it is too early to say whether Merrill is regretting the high price paid for Mercury. "It would be better to look at it a year from now when we may see more merger benefits," he says. "If we don't, then the price and the integration process will need to be focused on."

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Geneva panel will rule on air dispute

Mark Clough examines the background to the row between Canada and Brazil

Canada has been in dispute with Brazil over export subsidies to Embraer, a Brazilian regional aircraft manufacturer, since 1996.

In July, following the failure of settlement consultations, a World Trade Organisation panel was set up to resolve the dispute.

This is the first time since the WTO Dispute Settlement Body was established in 1995 that a panel has been asked to interpret main provisions of the WTO Agreement on Subsidies and Countervailing Measures.

The scope of derogations and transitional rules available to developing countries which are relied on by Brazil are being put to the test.

The primary issue between the two countries is the alleged misuse by Brazil of its export aid programme, known as Proex. The interest rate subsidies granted to foreign buyers of Embraer aircraft have the effect of reducing the interest rate paid by purchasers by 3.8 per cent on loans covering periods of up to 15 years.

This amounts to a nominal reduction in the purchase price of Embraer aircraft of $4m or 20 per cent of the cost of Embraer's regional jet, the ERJ-145. Alternatively, the subsidy can be taken by foreign buyers at the outset as a one-off payment of $2.5m.

Bombardier, the Canadian manufacturer, is the competitor most harmed by the Brazilian interest rate subsidies. However, the Proex programme also significantly affects European regional aircraft manufacturers ATR, Saab and BAe.

For Canada to succeed in its complaint, the Proex interest rate equalisation scheme applied to regional aircraft must be shown to be a subsidy as defined by article 1 of the WTO agreement and to be paid in connection with exports contrary to article 3.1.

To satisfy the article 1 subsidy test, there must be a "financial contribution by a government" which has conferred a "benefit", and to be prohibited by article 3.1 the subsidy must be contingent on export performance.

Brazil, which is about to receive a $41bn rescue package from international donors, has not surprisingly given notice of its intention to rely on the defence provided for developing country members by article 27 of the subsidies agreement.

Article 27.2 requires Brazil to establish that it is a qualifying developing country WTO member; and any export subsidies granted are kept to a minimum in accordance with article 27.4.

Provided that Brazil can satisfy the three conditions in article 27.4, the Proex programme might benefit from temporary exemption from the general prohibition of export subsidies.

The three conditions concern the phasing out of export subsidies within an eight-year period from the entry into force of the WTO agreement (which expires on December 31, 2002); a standstill obligation not to increase the level of export subsidies; and an obligation to phase out export subsidies in less than eight years when the use of such subsidies is inconsistent with development needs.

Brazil is unlikely to pass the first test, having extended the Proex financing period from 10 to 15 years.

In the case of the obligation not to expand the level of the subsidies, the available evidence again appears to indicate that Brazil has expanded the scope and availability of Proex subsidies.

It has increased the size of loans qualifying for Proex subsidies from 85 per cent of the purchase price of the aircraft to 100 per cent, waived rules requiring a certain percentage of the content of the aircraft to be Brazilian and increased the period of loans for which the subsidy is available from 10 to 15 years.

It has also increased the term for which Proex subsidies are available for spare parts and engines for regional aircraft.

The third condition is likely to be the most contentious, touching as it does on the issue of a country's development needs.

Embraer claims that it is penalised by high domestic interest rates and needs the export subsidies to compete. The WTO panel will have to decide whether these payments, which are made mainly to foreign regional airlines and their banks, allowing them to reduce their financing costs to below international levels, are in line with Brazil's development needs.

Brazil will need to justify large payments to foreign institutions that result in a substantial net outflow of funds. While the domestic content of Embraer aircraft is below 30 per cent, the Proex programme finances up to 100 per cent of the purchase price of Brazilian regional aircraft.

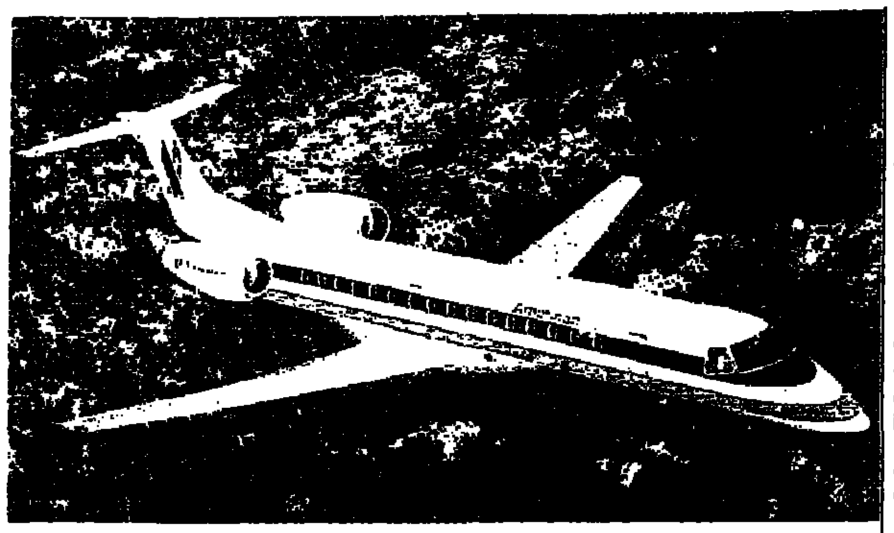
The £200m annual cost to the Brazilian budget to cover Proex payments to foreign purchasers of Embraer aircraft at a time of financial crisis might be considered inconsistent with Brazil's development needs.

A further issue for the panel is the relationship between financial rescue aid packages provided under IMF and World Bank rules and the uses of such aid to fund a budget deficit arising from export subsidies.

As this is the first significant subsidies case to come before the dispute settlement body in Geneva, the panel's decision is likely to be important for the interpretation and application of the subsidies agreement by other WTO members.

The ruling of the panel provides an opportunity for a realistic appraisal, consistent with the General Agreement on Tariffs and Trade practice that exceptions to general Gatt rules must be construed narrowly.

The author is a partner of Ashurst Morris Crisp, the City law firm.



Object of dispute: the ERJ-145, the regional jet built by Embraer, the Brazilian manufacturer AP

European court

Givenchy creates a special case

The European Court of Justice has clarified the circumstances in which an undertaking is deemed to be sufficiently individually concerned by a European Commission decision to bring an action to have it annulled.

The judgment arose out of a dispute between Givenchy, the French perfume house, and Kruidvat, a Belgian shop chain. Kruidvat sold fine fragrances, including Givenchy perfume, obtained on the parallel market.

In 1990, Givenchy sought clearance from the Commission for a selective distribution network for its products. The Commission published a notice indicating compatibility with European competition rules.

Comments received in response included one from Kruidvat's trade association. In July 1992, the Commission adopted a decision declaring the competition rules did not apply to Givenchy's selective distribution system.

Givenchy's exclusive agent in Belgium sought an order requiring Kruidvat to stop selling Givenchy products on the grounds that it was not part of the selective distribution network.

Kruidvat brought an action for the annulment of the Commission's decision in the European Court of First Instance. The Court declared it inadmissible. Kruidvat had no standing to challenge an individual decision granting exemption as it was not "individually concerned".

On appeal, the Court upheld the CFI's finding that the link between the participation of the trade association in the administrative proceedings and the individual situation of Kruidvat was not sufficient for it to be individually distinguished.

The extension of the right to bring proceedings to an association defending the interests of its members could offer procedural advantages. However, participation by such associations in the administrative procedure could not relieve their members of the need to establish a link between their individual situation and the association's action.

Further, the existence of linked civil proceedings before a national court was not sufficient for a direct action against a Commission decision to be admissible.

The legality of an administrative measure relied on by one of the parties to such proceedings might arise as an issue preliminary to the settling of that dispute. However, from this it could not be inferred that the other party had standing to dispute the legality of that measure by means of a direct action before the CFI.

The Court went on to hold that there was no analogy between the position of the complainant and that of undertakings which were "parties concerned" with regard to Commission decisions on state aid.

The Court justified a legal interest in bringing proceedings in those cases by the absence of other procedural guarantees. In the present case, there had been an invitation to submit observations.

The Court further held that Kruidvat was not distinguished from other operators outside the Givenchy distribution network.

C-70/97: Kruidvat v Commission, ECJ FC, November 17 1998.

BRICK COURT CHAMBERS, BRUSSELS

LEGAL BRIEFS

Wilde Sapte tops project finance league tables

Wilde Sapte, the City law firm, has emerged at the top of the UK project finance league tables after closing deals of a greater value during 1997-98 than any of its rivals.

The league tables published in the Project Finance Book of Lists 1998-99 show that the firm closed UK projects to a value of $6.7bn. Second was Norton Rose which closed deals valued at $2.95bn; in third place was Clifford Chance, with closed deals valued at $2.9bn.

Among the deals closed by Wilde Sapte in 1997-98 were the Norfolk & Norwich Hospital, Oceanic Air Traffic Control and the Armed Forces Personnel Administration Agency. Wilde Sapte was also placed second for western European projects.

Lex Mundi move

Morrison & Foerster, the San Francisco-based international law firm, has become the latest well-known US law firm after Steptoe & Johnson in Washington DC and Baker & Botts in Texas to join the Lex Mundi group of associated law firms. Lex Mundi has 146 member firms with 370 offices in 83 countries worldwide representing approximately 11,500 lawyers.

Spanish task

Clifford Chance has been retained to advise on Europe's largest securitisation – the $11bn securitisation of the stranded costs in the Spanish electricity sector. Stranded costs are the costs deemed to have been wasted following the break-up of the Spanish electricity market. The UK international law firm is advising all three financial arrangers of the deal, Morgan Stanley, Banco Bilbao Vizcaya and Banco Central Hispano. No other law firm is involved so far. The transaction is being conducted under the new securitisation law issued in Spain earlier this year. There will be both a domestic and international issue.

Merger outlook

Consolidation among UK law firms is set to continue, according to research by accountants Smith & Williamson. Two-thirds of 90 solicitors' firms interviewed by the accountants said they expected the level of merger activity to increase over the next year. More than 70 per cent said they had approached, or been approached by, another firm with a view to a possible merger in the past two years.

Repealing work

Following recommendations by the Law Commission, the government's law reform advisory body, the 1998 Statute Law (Repeals) Act has repealed almost 400 statutory measures including 180 whole acts of parliament. Among the outdated statutes repealed are the Victorian acts passed to prevent the slave trade, two emergency acts passed in 1797 as a result of the mutinies at Spithead and the Nore, three Elizabethan acts imposing restrictions on the powers of the clergy to dispose of ecclesiastical property, five university acts giving graduates from newer universities the same employment privileges as Oxbridge or London graduates, and nine tithe acts passed to administer tithes, tithe rent charges and corn rents.

Two re-elected

John Heller and Christopher Jones have been re-elected as senior partner and managing partner respectively of Hammond Suddards, the UK national law firm. They will serve a further three-year term commencing in May.

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INVITES

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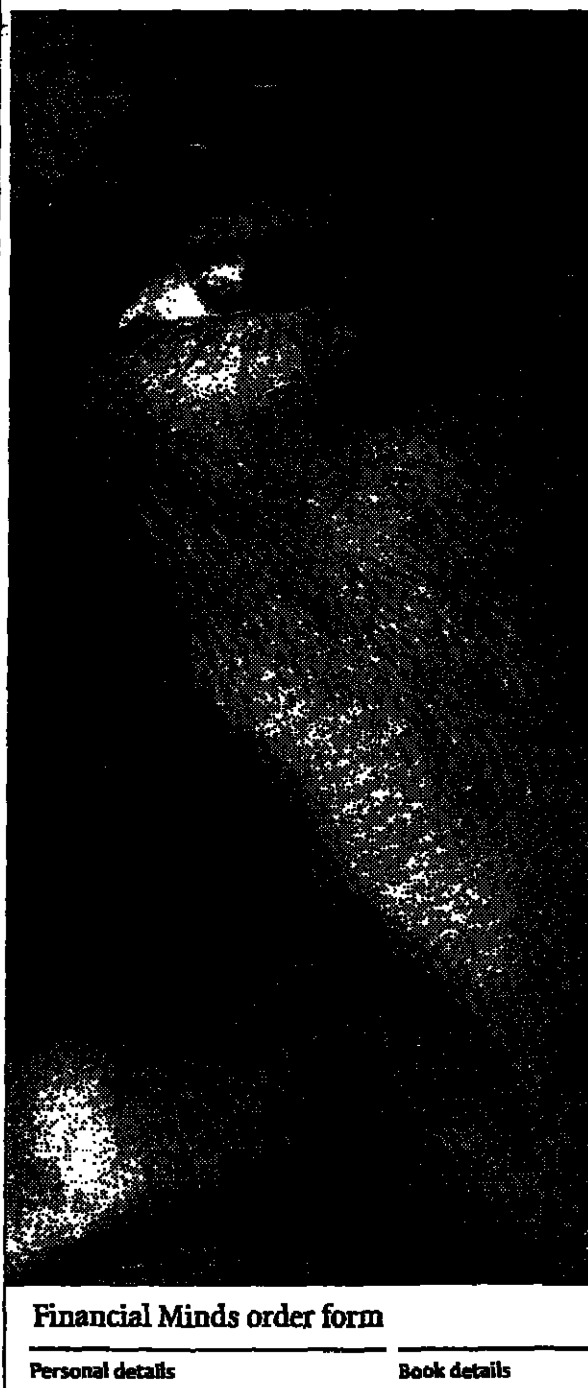

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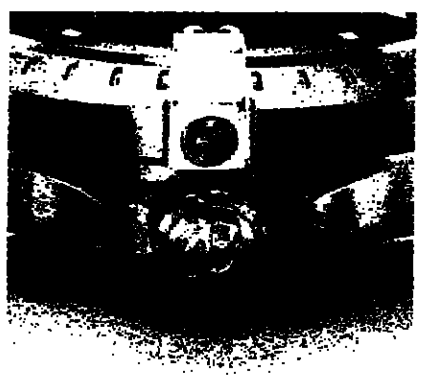
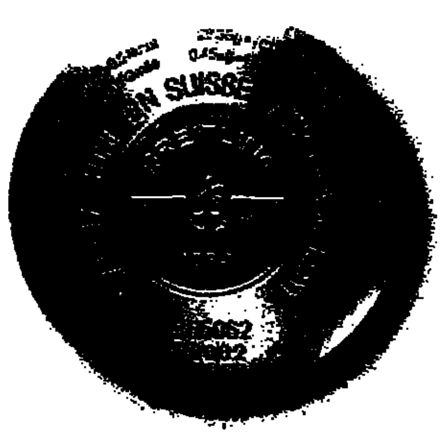
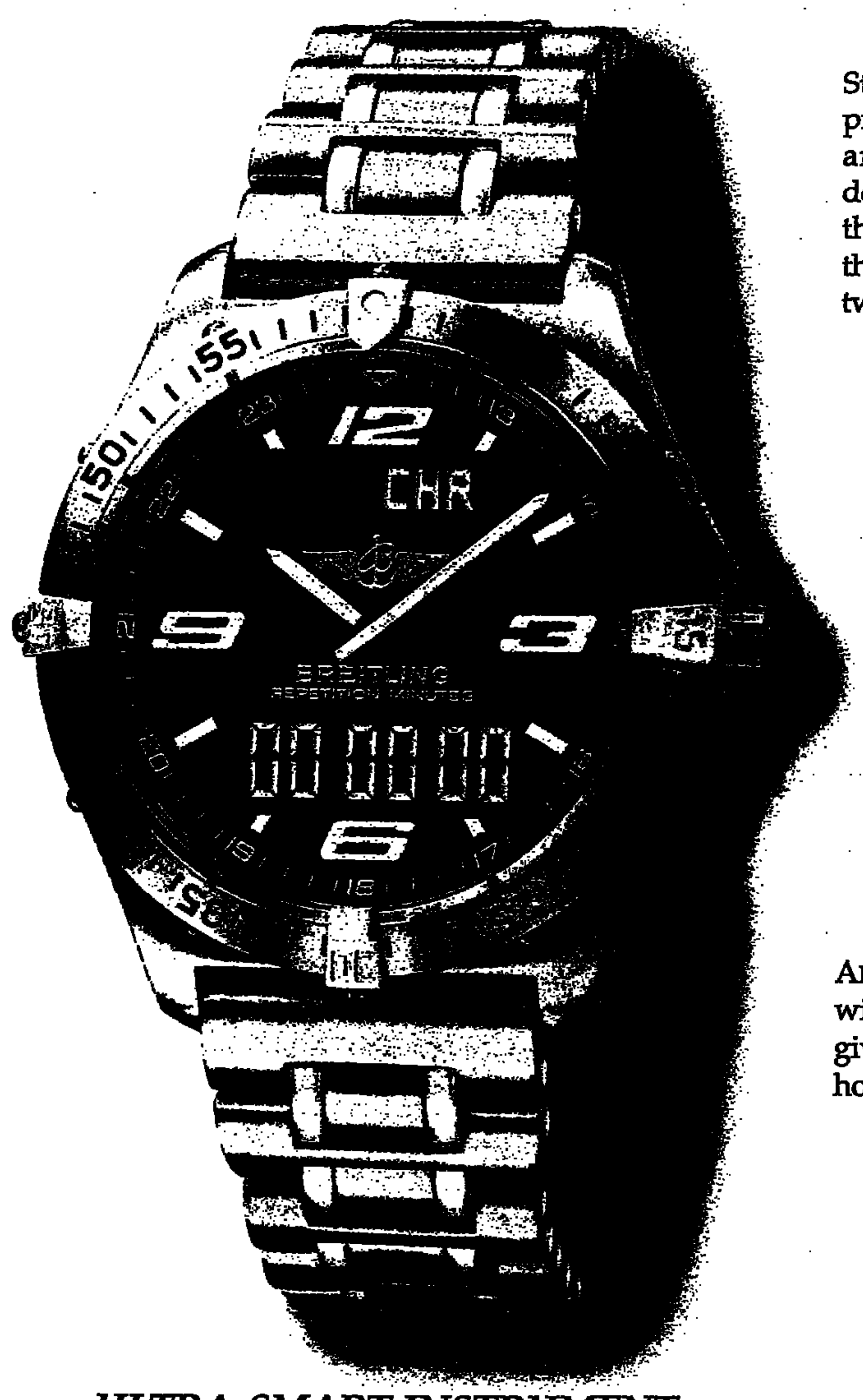


the countdown timer, programs the alarm or adjusts the second timezone display. AEROSPACE also has other surprises in store for the wearer: its ultrathin extremely lightweight titanium case is also non-allergenic and sturdy enough to withstand the toughest treatment, even acquiring an attractive sheen over time..



Water-resistant to 100 meters (about 330 ft), AEROSPACE comes with various dials and bracelets or straps. For those not comfortable with the lightness of titanium, BREITLING has provided a version with an 18K solid gold case on a gold bracelet.



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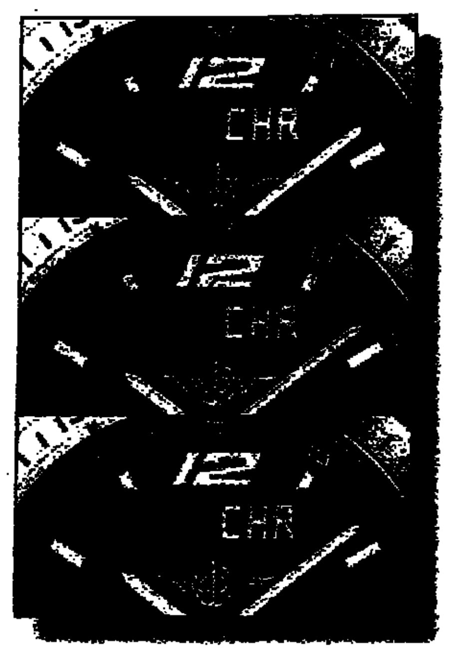

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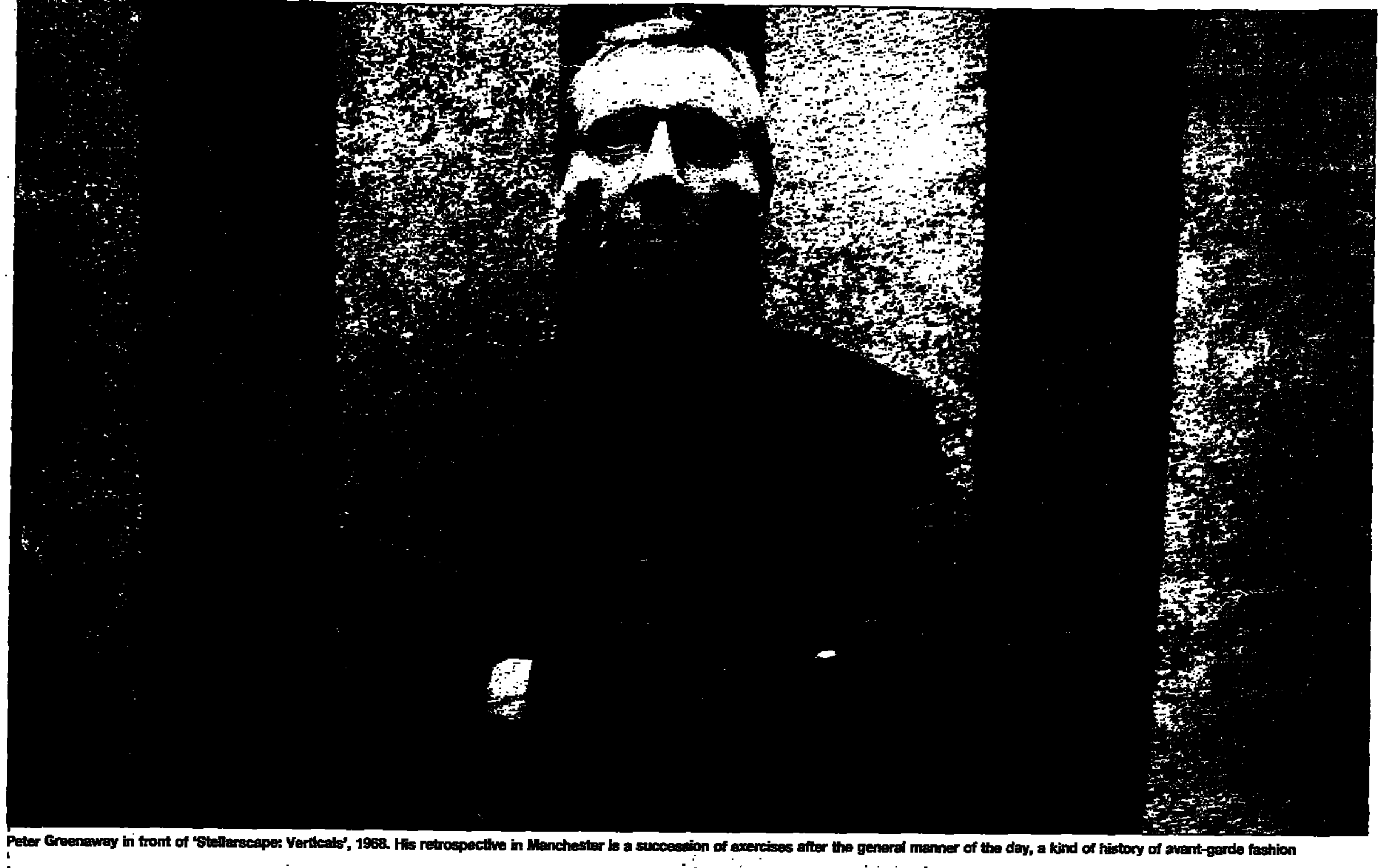

Peter Greenaway in front of 'Stellarscape: Verticals', 1968. His retrospective in Manchester is a succession of exercises after the general manner of the day, a kind of history of avant-garde fashion

Confessions of a non-draughtsman

The filmmaker Peter Greenaway has had quite a few problems mapping out his artistic career, writes **William Packer**

Peter Greenaway has made some of the most remarkable films of our time, dense with scholarly hint and art-historical reference, dead-pan in-jokes for us to smile at in self-congratulatory recognition. He has also been the curator of some memorable exhibitions which similarly celebrate that polymathic curiosity, rich in inter-disciplinary proposition and possibility, endlessly codified by list and category.

And he is also a painter. We remember the artist-hero of *The Draughtsman's Contract*, the film by which he made his name as a director – and it was Greenaway himself who made the drawings that appeared upon the screen. No matter that they were stiltedly inept and inappropriate to the period, it was clearly important to him that they should be his own.

In 1960, at the age of 18, he turned down Cambridge University in favour of the Walthamstow School of Art. But the disciplines of anatomy, perspective and the life-room seem not to have suited him. Paul Melia, his present apologist, writes in the catalogue that "from the beginning, Greenaway had little affinity with the School's conception of art practice: 'I was not interested in observational work or being a dispassionate documenter, or even a passionate one.'" Drawing and painting are never easy. Perhaps he was no good at them. "Art schools", he complains, "are so good at breaking your confidence." Perhaps he wished he had gone to Cambridge after all.

The point is that clever people often aspire to the life and condition of the artist and, lacking obvious technical facility, persuade themselves that the fault lies elsewhere. We read of Greenaway's "increasing dissatisfaction with what he perceived to be a narrow conception of painting – one that did not facilitate an imaginative engagement on his part and presumably, therefore, gave rise to works characterised by cliché ..." The underlying suggestion here is that other means may be devised and validated if one is clever enough. Who needs to sit in the field and draw the landscape, for example, when there are "issues" of landscape to be addressed, "which had led ambitious artists of the early 60s to exclude landscape as a possible subject for painting ... seen by them as too much the individual achievement of an older generation ... whose cultural status was now part of what had to be confronted"?

Note that tendentious "ambitious" to patronise more orthodox engagement; note too the curious proposition that being an artist requires the confrontation of the "cultural status" of another.

So like other artists returning to landscape in the later 60s, but drawing upon "forms of representation derived from the sciences rather than personal experience",

Clever people often aspire to the life and condition of the artist and, lacking obvious technical facility, persuade themselves that the fault lies elsewhere

Greenaway took himself off to work instead with grids and charts, diagrams and maps. Anything but draw. He set out at night to bury ball-bearings at selected points of intersection on the Ordnance Survey grid, but gave up on discovering that his actual "points of land ... were usually occupied by trees, buildings or some other obstacle." What bad luck.

In 1978 he made 92 maps, "the result of an absurdist search for a map in every available surface: the hides of piebald cows; a bramble leaf mined by a gall-wasp grub, a piece of used sandpaper, the cat scratchings on a kitchen door ... They raise a number of issues, such as: what are maps; what is their function; what is the difference between a map and a picture; how does one 'read' a map; what is the relationship of the map to the landscape it represents?" Good questions, all of them, but the mere asking and representation of them, fascinating as may be, does not make the asker an artist.

For Greenaway, the great moment of liberation from those old art-school disciplines came when, while still a student, he discovered the work of the young R.B. Kitaj, with its forced and contradictory perspectives, its mannered, collage-like imagery drawn upon a variety of sources, its elegantly sketchy handling, and its wilfully recondite and literary references. Collage as such, too, came as a great personal discovery, in allowing him "the production of a vivid, flat surface – necessary at this time if one's work was to count as, or at least look, modern." It is that "at least look" that is the Greenaway give-away.

None of this would matter if, as with Kitaj himself – or Paolozzi, Richard Long, Tom Phillips, Richard Hamilton even, or Marcel Duchamp – the actual work had a sustained and credible critical engagement and development within itself. But what we have in this retrospective, now at the Cornerhouse in Manchester, is a succession of exercises after the general manner of the day, a kind of potted history of avant-garde fashion, sustained by what Melia would call a profound and ironical scepticism, but which in reality is only wordy and profoundly unironical self-justification.

There is no question of the work being allowed to speak for itself, and clearly it cannot. But in his heart Greenaway seems to have recognised as much all along. In 1965 he joined the film unit of the Central Office of Information, and there found his true self. His films, for all their maddening obscurities and pretensions, can and do speak for themselves on their own terms, and so, too, his occasional curated exhibitions. These represent his lasting achievement. He at least kept up the day job.

Peter Greenaway – Artworks 63-98: Cornerhouse, Manchester M1: sponsored by Manchester Airport.

Back to the sad silly Seventies

THEATRE

ROBERT HANKS

Shang-a-Lang
Bush Theatre, London W12

The glut of 1970s nostalgia afflicting us right now needs explaining. The main reason must be simple chronology – for the writers and directors who are now coming to the fore, the 1970s were formative years, and much the same must apply to a large section of the audience, so that writing about the decade makes commercial sense too.

But it may be, as well, that there are features peculiar to the Seventies pop scene that make it specially tempting for writers – the silliness of the music, the ludicrous clothes (platforms, hot-pants), the absolute absence of any of the spiritual and political yearnings (or pretensions, if you would rather) that marked the Sixties.

The Seventies was a decade without baggage: the Sixties were all about protest, Vietnam, sexual liberation; the Eighties were Thatcher, the miner's strike and a Square Mile flush with cash and ambition. What does the Seventies mean?

The meaninglessness of that low, dishonest decade seems to lie at the heart of Catherine Johnson's *Shang-a-Lang*, a play that combines the two genres of "Seventies Nostalgia" and "Girls' Night Out".

Three schoolfriends, all on the edge of 40, are reunited for a Glam revival weekend at Butlin's, whose highlight is a performance by the Bay City Rollers: single, yearning pub landlady Pauline; divorced, alcoholic, aimless Lauren; and married, seemingly happy and fulfilled Jackie.

They all get very drunk, two of them end up in bed with a pair of musicians from a tribute band, and they all find out things about one another and their shared past that they would rather not have known.

The characters and their situation verge on stereotypes, and in some ways it seems an oddly staid play for the Bush. What distinguishes it is a streak of ruthlessness. You are left afterwards with a bleak sense of how all these women's pleasures – drink, sex, nostalgia – are only escapes from unhappiness. For Pauline, her teenybopper crush on Woody, one of the Rollers, was the emotional highlight of her life: what could be

Catherine Johnson's play combines the two genres of 'Seventies Nostalgia' and 'Girls' Night Out'

sadder than that? The mood is summed up in an exchange between the two musicians.

"Life's too short," says Carl, the cocky young one, fed up with his friend's whingeing. "No it ain't, it's too fucking long," replies the older Vince.

Amid the misery, there are some very funny moments: Pauline coming out of a drunken stupor nestled between the legs of a giant fibre-glass Teletubby; Carl and Vince's appearance as soul musicians, complete with boot polish and Robinson's Golly afro-wigs. And in Mike Bradwell's production, all the performances are good, with Joanne Pearce's melancholic, eager-to-please housewife outstanding. It is a play worth seeing; but the nagging sadness of it means you are unlikely to cling to fond, nostalgic memories.

At the Butlin's Glam revival weekend: Ona McCracken, Nicola Redmond and Joanne Pearce
Alastair Muir

MUSIC TILSON THOMAS / STRAVINSKY

Celebrations of spring

Michael Tilson Thomas has been conducting the London Symphony Orchestra in a trio of Stravinsky concerts – dedicated to his "stage works", though some of those programmed are rarely staged, and the 1943 *Ode* is a pure concert-piece. In fact the series just provided an excuse to fill the Barbican Hall for one of the ever-popular ballets each night (*Firebird*, *Petrouchka*, *Rite of Spring*), while completing the programmes with less familiar works. And why not?

I heard the last concert, which ingeniously matched two very different "spring" celebrations: the *Rite*, of course, and *Perséphone*, the balletic "mélodrame" Stravinsky composed in 1934 for Ida Rubinstein to mime and declaim. That was a collaboration with André Gide, and not a happy one. Stravinsky detested Gide's verses, and Gide was appalled by the way Stravinsky set them, rudely ignoring the prosody.

Yet this somewhat misbegotten work has its fragile, ethereal charms. It tracks Perséphone's descent into Hades, and thence upwards, after she negotiates a deal with Pluto that allows her the spring and summer of each year to revisit Earth. The music – with adult and children's choruses, and a tenor role for the priest Eumolpus – recalls Stravinsky's earlier *Apollo*: but softer, lighter, without urgency.

The Tilson Thomas performance was well and thoughtfully prepared. But I thought the London Symphony Chorus too numerous, the choral weight excessive for the music; surely Stravinsky envisaged a smaller group? The New London Children's Choir was fine. Stephanie Cosserat declaimed Perséphone gracefully and plainly; Eumolpus was Stuart Neill, a big American tenor with a big sound and adequate French, but no sense of theatrical narrative.

Le Sacre du printemps made a forceful contrast, and scored a great success with the audience. Tilson Thomas and his LSO players excelled particularly in *piano* and *mezzo-forte*, where they brought many wonderful but often neglected details to precise life. When the score roared and howled, the conductor drove it very fast indeed; that made an exciting ride, but steely and hi-tech-mechanical. The earthy stamp of primitive human feet was hardly felt, and I missed it.

David Murray

INTERNATIONAL

Arts Guide

ADELAIDE

OPERA
State Opera of South Australia
The Ring: first cycle of Wagner's opera. Staged by Pierre Strosser and conducted by Jeffrey Tate, this performance of The Ring is the first in Australia since 1913: Nov 24

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
The Rake's Progress: by Stravinsky. Conducted by Reinbert de Leeuw in a staging by Peter Sellars. Cast includes Donald McIntyre, Thomas Randle and Willard White; Nov 26

BARCELONA

EXHIBITION
Fundació Joan Miró
Tel: 34-93-329 1908
www.bcn.fjmiro.es
Magritte: an exhibition celebrating the centenary of René Magritte's birth. It contains over 90 paintings and 50 photographs by the Belgian Surrealist, which are grouped into 5 recurrent themes from his work; to Feb 7

CHICAGO

CONCERT
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Riccardo Chailly in works by Mahler and Mendelssohn. With mezzo-soprano Petra Lang and baritone Simon Keenlyside; Nov 24

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Voigt and Susan Graham; Nov 24

COLOGNE

OPERA
Oper der Stadt
Tel: 221-221 8400
Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai; Nov 27

HELSINKI

DANCE
Finnish National Ballet
Tel: 358-9-403 021
Giselle: staging by Sylvie Guillem. With sets and costumes by Ramón B Ivars. Conducted by David Garfoth; Nov 24, 26, 28

OPERA
Finnish National Opera
Tel: 358-9-403 021
Anna Bolena: by Donizetti. Conducted by Maurizio Barbacini in a new staging by Jussi Tapola, with designs by Anna Kontek; Nov 27

HUDDERSFIELD

CONCERTS
Huddersfield Contemporary Music Festival
Tel: 44-1484-430 528
● Elliott Carter 90th Birthday Tribute: works by Carter, including the European premiere of his Piano Quintet, performed by the Arditti String Quartet and pianist Ursula Oppens; St. Paul's Hall; Nov 27
● Northern Sinfonia: conducted by Thierry Fischer in Simon Holt's Triptych, and Diana Burrell's Clarinet Concerto. With cello soloist Zoe Martlew and clarinet soloist Robert Plane; Nov 26

DANCE
Huddersfield Contemporary Music Festival
Tel: 44-1484-430 528
Jonathan Burrows Group: three dancers perform new work drawing on music and ideas by Matteo Fargion, Tom Johnson and Kevin Volans. Lighting by Michael Hulls; Lawrence Batley Theatre; Nov 24

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
London Symphony Orchestra: Sir Colin Davis conducts a series of works by Elgar; Nov 25

Royal Festival Hall
Tel: 44-171-960 4242
Estonian Philharmonic Chamber Choir: with the Tallinn Chamber Orchestra. Tonu Kaljuste conducts work by Estonian composers Erkki-Sven Tuur and Arvo Pärt; Nov 26

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
Boris Godunov: by Mussorgsky. Conducted by Paul Daniel in a new staging by Francesca Zambello. John Tomlinson sings the title role; Nov 24, 27

THEATRE
National Theatre
Tel: 44-171-928 2252
Betrayal: by Harold Pinter. Trevor Nunn directs Pinter's 1978 play, with a cast including Anthony Calf and Imogen Stubbs; Lyttleton Theatre; Nov 24

MILAN

EXHIBITION
Pinacoteca di Brera
La Dama con l'Ermellino: Leonardo da Vinci's 1489 portrait of the young mistress of Ludovico il Moro travels to Italy for the first time since 1800, when it was purchased by the Polish Prince Czartoryski; to Dec 13

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Danish National Radio Symphony Orchestra: conducted by Gennadij Roshdestvenskij in works by Nielsen, Shostakovich, Rachmaninov and Stravinsky. With violin soloist Viktoria Mullova and pianist Viktoria Postnikova; Nov 26
● Munich Philharmonic Orchestra: conducted by Zubin Mehta in works by Liszt, Beethoven and Berlioz. With piano soloist Radu Lupu; Nov 24

NAGOYA

EXHIBITION
Matsuzakaya Art Museum
The Carmen Thyssen-Bornemisza Collection: touring show of 94 paintings, ranging from the 18th century to the early 20th. Highlights include 19th century Spanish works and works by American painters. Also on display are recently acquired works by Delaunay and Braque; to Dec 8

NEW YORK

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
La Bohème: by Puccini. With Julius Rudel conducting and a cast which includes Francesca Pedaci, Gwynne Geyer and Vladimir Grishko; Nov 25

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Frans Brüggen in works by Schumann and Mendelssohn. With violin soloist Thomas Zehetmair; Nov 25, 26

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
The Merry Widow: by Franz Lehár. Conducted by Armin Jordan and with a cast including Frederica von Stade and Hakan Hagegard; Nov 25, 27

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Haydn, Shostakovich and Brahms. With piano soloist Vladimir Feltsman; Nov 25, 27, Nov 28

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
Norma: by Bellini. Conducted by Patrick Summers in a staging by Andrew Sinclair. The title role is sung by Carol Vaness; Nov 24, Nov 28

TOKYO

CONCERTS
Suntory Hall
Tel: 81-3-3584 9999
● Japan Shinsei Symphony Orchestra: conducted by Ondrej Lenárd in works by Mahler; Nov 24
● Russian National Orchestra: conducted by Mikhail Pletnev in works by Tchaikovsky and Stravinsky; Nov 25

■ TV AND RADIO

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06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PETER MARTIN

A long goodbye

The heart of banking – turning short-term deposits into long-term loans – is coming to an end, but banks will not go quietly

Banks have no future. Their economic purpose is redundant. To survive, they must find another role: adviser, speculator, fund manager.

This is the underlying truth behind such transactions as Deutsche Bank's mooted acquisition of Bankers Trust, or Citibank's merger with Travelers. It is a dangerous truth, for in seeking to avoid it, bankers assume ever greater risks.

Since the first medieval goldsmith diversified beyond the strong-room business, banks have had a single role: "maturity transformation", the turning of short-term deposits into long-term loans. Whether explicitly long-term, as in German corporate lending, or notionally short-term, as in British overdrafts, their assets have been effectively hostages to the future. Their liabilities, by contrast, have been immediately payable.

It is this inherent mismatch that has provided banks with their *raison d'être* and their profits. Its intrinsic riskiness has led to the creation of central banks, regulators and lenders of last resort.

It remains risky. But it is increasingly redundant. Electronic technology and financial innovation are creating a world in which maturity transformation is unnecessary.

Economic actors – individuals, households, companies – will no longer require this service. Their portfolios of assets and liabilities will be broadly matched in maturity terms: short-term assets will match short-term liabilities, longer-term liabilities will offset longer-term assets.

This is already visible, particularly in the US. Individuals' needs for long-term assets (to provide retirement income) are now *matched by their purchase* of equities. Their shorter-term needs for credit to finance the purchase of consumer durables are matched by loans of a maturity that reflect the useful life of the product, or by credit-card loans with a comparable life.

Some of their cash balances, it is true, are still held in banks. But, increasingly, household cash not needed for immediate use is placed in money-market funds – and thus recycled into short-term lending to companies. Not much scope for maturity transformation here.

Similarly, US companies raise equity and issue bonds and commercial paper. Or they perform maturity transformation themselves, bundling together short-term receivables and selling them as longer-term securitised debt.

This is usually described as "disintermediation". Banks are not needed, it is said, because companies lend directly to one another, *cutting out the middleman*. That is true. But it is only part of the story.

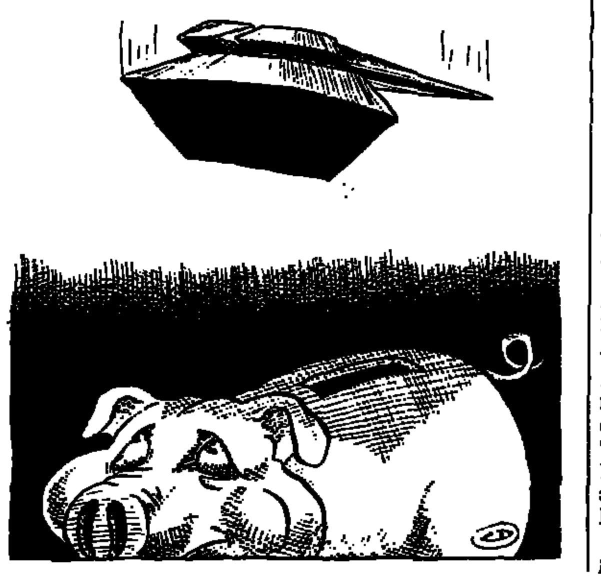
More important is that, during this process, maturity transformation drops out. Sometimes that requires innovation, as in the securitisation process. Sometimes it requires technology, as in the gradual elimination of "float" from the settlement of financial bargains. Always it requires a degree of sophistication on the part of customers that was not present before.

The threat to banks is profound. They will still retain a role in running the payments mechanism – but only because of regulatory favouritism. Without such implicit protection, computer service companies would be able to run the system much more efficiently.

Banks will still be able to sell packaged financial products to mass market customers. They will be able to earn a fee for facilitating the transactions that have replaced them – for example as underwriters of corporate bonds or arrangers of securitised debt. But they have few special advantages in either role.

They will still earn a crust by filling the remaining maturity transformation gaps, for example on those occasions when companies wish to raise money (for a takeover, perhaps) at very *short notice. At risky* moments in the cycle, money will flow into their vaults from risk-averse *investors, as happened this* autumn. But otherwise, their traditional role is disappearing. With it should go the elaborate regulatory structure erected to contain the risks of maturity transformation. Central bankers and banking supervisors should be actively preparing for their own demise.

Alas, human nature does not work like that. Banks have a powerful institutional impetus to survive; so do regulators. The risk is that they collude to protect their own existence, leading the banks to speculate on ever more risky transactions within the shelter of the privileges given them because of their past role. Some of those transactions will be clearly speculative, as in their proprietary trading activities. Others will look like conventional loans – such as those to south-east Asia or Long-Term Capital Management – but will actually be hidden position-taking.



A banking structure created to handle a redundant type of asset-liability mismatch – maturity transformation – will seek out other mismatches. Central banking's traditional "lender of last resort" doctrine, devised to cope with the liquidity risks of maturity transformation, will find itself stretched to breaking point. Shareholders who still think of banking in historic terms will find themselves repeatedly blindsided by the new risks bankers desperately rush to assume. Traditional banking is dying. But the grieving throng around the deathbed face a long and expensive vigil.

peter.martin@ft.com

LETTERS TO THE EDITOR

Currency regime proposal is unrealistic

From Mr Ravi Bulchandani

Sir, In his Personal View ("How to target exchange rates", November 20) C. Fred Bergsten summarised the yearning in some quarters *for more stable* exchange rates globally. In doing so, he ignored the main lesson to be learnt from attempts to *fix exchange rates in a world* of free capital flows. There are few viable alternatives between completely fixed exchange rates – or one money as in European economic and monetary union – and freely floating exchange rates.

Agreement on exchange rate target zones implies that countries are willing to give up a measure of monetary policy sovereignty for the supposed common good of more stable exchange rates. To be consistent with the lessons of experience, Mr Bergsten must be arguing for the re-establishment of a commonly agreed global monetary standard of the kind that has long been advocated by Professor Ronald McKinnon of Stanford University.

The level of co-operation necessary for such a regime would be hard to achieve. The dispute over global banana trade is hardly calculated to make one optimistic *about the present state of* international policy co-ordination. I find it hard to believe that, if faced with a serious recession, the US would be able to resist depreciating its way to prosperity, thus making a mockery of any attempts at target zones. If, for example, the dollar were testing the bottom end of its agreed ranges because of a widespread perception in markets that US growth was faltering, the required policy response from the US would be higher interest rates – hardly a credible or sustainable policy response. And I seem to recall that Mr Bergsten has often argued for a much lower dollar as a way of addressing the current account deficit in the US.

Part of the motivation for Mr Bergsten's concern is the fear that the euro will be born too strong. But it is not as if the European Central Bank lacks the means to address this – a dramatic cut in European interest rates would nip any incipient tendency to excessive euro appreciation in the bud. One *aspect of running monetary* policy for a putative global reserve currency is straightforward – if there is excessive *global portfolio demand* for your currency and if there is little danger of inflation, interest rates should be cut. My advice to Wim Duisenberg (president of the ECB): cut early and cut often and the value of the euro will look after itself.

Ravi Bulchandani,
head of currency strategy,
Morgan Stanley Dean Witter
London, E14 4QA, UK

ECB is not entirely 'a law unto itself'

From Mr Constantin Vayenas.

Sir, Professor Paul de Grauwe ("Law unto itself", November 12) says the political independence of the European Central Bank has been based on a "primitive political theory" which assumes that politicians are always trying to get their way with the central bank (presumably low interest rates, especially in the run-up to elections).

It may be "primitive", but is that not the reality? No one less than Alan Blinder, a former vice-chairman of the Federal Reserve Board, showed how game theory can be used to illustrate the relationship between the Fed and politicians. The object is for one player to force the other to make the unpleasant decisions (ie the Fed tries to get the politicians to restrict government spending; the politicians pressure the Fed for lower interest rates).

Prof de Grauwe refers to US politicians as "stakeholders" in the Fed. Perhaps they are in good times, but they did not rush to the *Fed's defence in late 1990/* early 1991 when the US was in recession and inflation peaked at more than 6 per cent. Also, members of the Fed are shielded from these short-term stakeholders by serving long terms: 14 years for members of the board, and until retirement age for presidents of the Federal Reserve Banks.

The ECB is accountable to holders of the euro, to whom it promises that the domestic purchasing power of the currency will fall by less than 2 per cent a year, on average. The bank is also accountable to the governments of the member states.

If the ECB were to get it horribly wrong, it would be easy to obtain a unanimous decision from member countries to censure the bank. But it seems unlikely that the ECB would wish to manoeuvre *itself* into such an incriminating position.

Perhaps therein lies a reasonable guarantee for monetary stability in the euro-zone. In the meantime, politicians should focus less on the ECB and worry more about why the European Union still has nearly 17m unemployed. At least the ECB cannot yet be blamed for that.

Constantin Vayenas,
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Switzerland

Democracy in the east and west

From Ms Teresa Wyszomierski.

Sir, In an interesting counterpoint to US vice-president Al Gore's controversial Apec speech calling for increased democratisation as a way out of Asia's economic woes, Singapore elder statesman Lee Kuan Yew repeated his tired observation that democratic reforms were not a panacea ("Don't Expect Too Much" November 17).

Both men are right, because they are not talking about the same thing. When Al Gore or any western leader *mentions democracy*, he is citing a political framework grounded in a system of checks and balances. When Lee Kuan Yew disparagingly talks about democracy, he is referring to some Asian variant that fails to combine a popular electoral process with an authoritarian overlay.

Western-style democracy presumes that corruption *is* humanity's universally-shared bane, which can be controlled by the impersonal and self-regulating mechanism of a multipartite government system. Lee Kuan Yew's paternalistic formulation *fuels the mistaken* impression that Asians are somehow more inherently corrupt than westerners and *in need of guidance* from above.

Western-style democracy may not be a panacea for economic malaise but, it's not so bad when you consider the alternatives. At the very least, a system of checks and balances would discourage the west from adopting Lee Kuan Yew's condescending prescription of not expecting *too* much from the east.

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Death in a stairwell

After the assassination of a prominent reformer, **John Thornhill** and **Arkady Ostrovsky** consider the strange death – or murder – of market liberalism in Russia

The killers who gunned down Galina Starovoitova in the stairwell of her St Petersburg home not only eliminated one of Russia's most prominent reformist members of parliament but also fired a chilling shot at *the country's nominally* democratic political system.

"Starovoitova was one of the most courageous and *uncorrupted people on the* political scene," said one observer. "My feeling is that this was a qualitatively different *type of killing to all* those we have seen before. This was clearly a political murder."

While *there* have been many murders of public figures in Russia – including several members of parliament – *it is hard to think of* any in which the main motive had nothing to do with business dealings. In *that sense, this looks to be* post-communist Russia's first purely political assassination.

Mourners outside the flats where Starovoitova was killed Reuters

It has emphasised just how much political tensions have been ratcheted upwards recently in a country still struggling with the principles and practices of a democratic society.

Starovoitova's parliamentary colleagues were quick to hail her as an uncompromising democrat who spoke out against abuses of power wherever she found them. The formidable, matronly Starovoitova was one of the most prominent opponents of the attempted coup by Communist hardliners in August 1991. After working closely with Boris Yeltsin in his early years as president, she turned against him over the conduct of the Chechen war. In recent weeks, she was an aggressive critic of the anti-Semitic tirades of General Albert Makashov, a Communist MP, and campaigned for his censure in parliament. (He broke the law by publicly saying "the yids should be jailed" and the Communist party at first refused to disown him).

The St Petersburg police have yet to find Starovoitova's *killers, and judging* by the record of Russia's criminal investigators they are unlikely to do so soon. Nonetheless, Starovoitova's reformist colleagues have been quick to pin the blame *on the worsening climate of* political intolerance in the country. Since the financial crash, public outbursts by extremists have *become* more common.

Anatoly Chubais, a former minister and leading reformer, discerns a *silver* lining, suggesting that Starovoitova's murder could work as a catalyst to unify Russia's democratic parties. "I am really convinced that more than ever before the country needs a powerful, aggressive, result-oriented and tough rightwing centre," he said, arguing its hour had finally come.

However, it may well be the tragedy of Russia's liberals that they have arrived at this realisation too late. In the past few months, the country's political centre of gravity appears to have shifted decisively leftwards, finding its embodiment in the person of Yevgeny Primakov, the prime minister, who has been fiercely critical of the "young liberal reformers" and "so-called democrats".

In the minds of many voters, *the murder of Starovoitova* is a personal but not a political tragedy: to them, Russia's liberal leaders have *hopelessly discredited* themselves by their association with Mr Yeltsin's failed *administration*. Few voters seem to care much about the death of market liberalism in Russia.

In recent interviews with the Financial Times, Yegor Gaidar and Sergei Kiriyenko, two former reformist prime *ministers, both concluded* that Russia's liberals should have devoted more efforts to building a political constituency for reform. With the benefit of hindsight, they should have tried to mobilise support from the emerging middle classes they were striving to create, but who remained resolutely apolitical while they were making their money.

Mr Kiriyenko, whose reform drive this year crumbled in the face of parliamentary opposition and crashing world markets, said the reformers had underestimated the amount of time necessary to change the public consciousness after 75 years of communism.

"We were too quick to assume *that society understood* the price it needed to pay for these reforms and was ready to pay it," he said. "*As a matter of fact*, people never gave the government the moral backing *for* market reforms. The only reforms we had were done secretly, as if hiding from the people."

However, Mr Gaidar, who launched Russia's market reforms in 1992, said it would be premature for Russia's *liberals to abandon* hope, arguing there were millions of voters – amounting to more than one-fifth of *the electorate* – who rejected communism and favoured individual responsibility and market reforms.

"I do not think that this part of the electorate will disappear. The possibility to create a political force with comparable strength to the Communists . . . really does exist," he said. "It seems as though the democrats in Russia are unified only in situations of extreme danger. And now it is clear there are such dangers."

Mr Kiriyenko suggested the crisis had begun to politicise the middle classes and he highlighted the extent to which liberal economic thinking has taken root in Russia. He pointed to an opinion polls showing that 48 per cent of Russians were opposed to printing money even if it was used to pay their salaries.

Both Mr Kiriyenko and Mr Gaidar argued that Mr Primakov's left-leaning government would be forced to *revert to tougher liberal economic* policies next year when its experiments with quasi-Soviet solutions *resulted in high inflation* and worsened Russia's economic plight.

The question is what happens *then. The reformers* clearly hope the country will turn back to them. But Sergei Markov, a politics professor *at Moscow state* university, believes that even if Mr Primakov's government collapses, it is unlikely to *rebound to the liberals'* political advantage.

"The liberals can only criticise," says Mr Markov, "they cannot consolidate their position. If the moderate leftists who are currently in the government fail, they will be followed by nationalists, not liberals."

If he is right, the outlook is grim. It was once said that the Tsarist system was "autocracy tempered by assassination". Now it is looking more like assassination tempting the country towards autocracy.

THIRD QUARTER 1998 FINANCIAL RESULTS

(Reviewed by Ernst & Young, Bahrain)

CONSOLIDATED BALANCE SHEET (At 30 Sept 1998)	(US$ million) 30 Sept 98	30 Sept 97
ASSETS		
Liquid funds	309	235
Marketable securities	3,231	2,806
Placements with banks and other financial institutions	7,353	6,929
Loans and advances	13,016	11,826
Interest receivable	233	477
Investments in associates	63	94
Other investments	132	99
Other assets	385	313
Premises and equipment	475	455
	25,197	23,234
LIABILITIES		
Deposits from customers	10,315	10,389
Deposits from banks and other financial institutions	10,664	8,323
Certificates of deposit	300	241
Interest payable	132	362
Other liabilities	300	377
Minority interests	414	317
	22,125	20,009
TERM NOTES, BONDS AND OTHER TERM FINANCING	1,296	1,481
SHAREHOLDERS' FUNDS		
Share capital	1,000	1,000
Treasury stock	(74)	(75)
Reserves & retained earnings	787	705
Current period's profit	63	114
	1,776	1,744
	25,197	23,234

CONSOLIDATED INCOME STATEMENT (9 month period to 30 Sept 1998)	(US$ million) Jan - Sept 98	Jan - Sept 97
INCOME FROM OPERATIONS		
Net interest income	308	319
Other operating income	265	214
TOTAL INCOME	573	533
Operating expenses	(309)	(296)
OPERATING PROFIT BEFORE LOAN LOSS PROVISIONS	264	237
Loan loss provisions	(136)	(55)
PROFIT BEFORE TAXATION AND MINORITY INTERESTS	128	182
Taxation on foreign operations	(36)	(36)
Minority interests in subsidiaries	(29)	(32)
NET PROFIT FOR THE PERIOD	63	114

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Tuesday November 24 1998

A taxing harmonisation

Oskar Lafontaine, Germany's mercurial finance minister, has made no bones about his ambitions for tax reform in the European Union next year. Once the euro has been launched on January 1, he will be promoting tax harmonisation between the member states, both to shut down tax havens, and to shift the tax burden from labour to corporate taxation. His ideas seem certain to run into fierce opposition from the UK government, not to mention the Irish, the Luxembourgers and the Danes.

Members of the future eurozone are undoubtedly worried at the danger of some countries using tax competition to attract investment, once a single currency has eliminated exchange rate competition between them. The low corporate tax rate in Ireland, for example, is seen by many EU members as an example of such "unfair" competition.

Highly taxed countries like Germany, Belgium and Austria are also concerned at the tax evasion they see when private investors move their savings to lowly-taxed countries, like Luxembourg. However, before they embark on a clumsy and probably unworkable exercise to harmonise taxes, they need to be clear where the problem lies.

In some cases, tax discrimination can be a disguised form of state aids, where there is a different tax rate for the same activity, for example between a foreign and domestic investor. That should be firmly discouraged. But where a country chooses to have a different tax structure from its neighbours, because it is considered more equitable or more efficient, that cannot be regarded as unfair competition. It is perfectly legitimate.

It is precisely for that reason that questions of tax policy are still subject to unanimous decision-taking in Brussels. Gordon Brown, the British chancellor, is quite right when he insists he can always use his veto on unacceptable harmonisation. He is determined that highly-taxed and high-spending countries like Germany should not be allowed to protect themselves from genuine competition from those who are more prudent.

There are some grounds for introducing greater tax transparency, and a greater exchange of tax information. But to work that has to be done at a wider level than just the EU. The very least is an agreement covering all members of the Organisation for Economic Co-operation and Development. A compulsory withholding tax would threaten to drive non-EU investors from European markets, to the detriment of the EU as a whole.

Mr Brown is right to remind his partners of his powers of veto over tax harmonisation. Mr Lafontaine would do well to think very carefully about what he proposes, before he rushes into a damaging and divisive battle.

For the birds

Counting wildfowl makes some people very happy: now the UK government is going to do it to help everyone assess their state of contentment. The bird index, to be published annually in October will be one of 13 separate statistics, which ministers describe as a new barometer of the quality of life.

This will provide a harmless occupation for official statisticians, and may give innocent pleasure to some members of the public who do not already have access to the figures. The indices range from the familiar gross domestic product, through public investment and housing quality to measures of air pollution, climate change, water quality and wildlife.

They will be brought together to emphasise the importance of environmental and social concerns alongside more traditional measurements of economic welfare. Ever since 1932, when the US Commerce Department started to prepare comprehensive national income statistics, it has been obvious that GDP is an incomplete measure of national welfare. Countries may get rich while also becoming more squalid, squandering natural resources and ignoring social deprivation.

A Labour government is more than entitled to draw attention to such problems and to publish relevant statistics. But combining them into a single barometer is open to two objections.

First, the selection is arbitrary. Why, for example is public investment to be given more emphasis than private investment? Why measure birds rather than cats? And why were divorce, crime, drug use, poverty, hospital waiting lists, or watching football not included?

The list is so slanted, that any party – or individual – could make a different selection. Consequently, the basket of indices could well be modified after a change of government; and it is never likely to command the general respect accorded to more objective measures, such as the retail price index or GDP.

Second, and more important, 12 of the government's 13 indices represent some (and only some) of the competing priorities on which individuals and their elected representatives can chose to spend their cash. The 13th, GDP, is different in kind. It measures the cash value of what society has spent. In a free society, people may choose to spend their incomes in a myriad different ways. Combining these indices might, therefore, confer a spurious objectivity on the choice by a particular set of ministers, anxious to placate different lobbies

All in all, this looks too much like a gimmick, whose real purpose is to give a precision to government aims they cannot bear.

US and Asia

Bill Clinton and Al Gore have both been on trips to Asia. But the audience they were really addressing was back home. The White House should beware. Playing to the domestic gallery could create an Asian backlash.

Mr Clinton's hard words on trade in Tokyo, on *chaebol* in Seoul, and Mr Gore's speech to the Asia-Pacific Economic Co-operation forum in Kuala Lumpur, were carefully calibrated to register well in the opinion polls. A slowing economy means that the growing US current account deficit, largely ignored during the record expansion, is once again becoming a hot topic. Mr Gore, his sights fixed on the Democrat presidential nomination, needs to appear tough on trade and foreigners: Apec provided a stage.

Asian leaders should heed these warnings. The changing tones of US domestic politics are central to US foreign policy. But the US should be careful too. Mr Clinton's tough words on the South Korean *chaebol* have given *chaebol* apologists a political stick with which to beat President Kim Dae-jung – accusing Mr Kim and his much needed reforms of playing into the hands of meddling Americans. Mr Gore's words on Malaysian protests, purportedly designed to champion the reformers, similarly handed an advantage to prime minister Mahathir Mohamad, allowing him to play the nationalist card.

South Korea, Indonesia and Thailand have little choice but to try to export their way out of trouble. Deep recessions were imposed on these countries, in part by policies urged by the International Monetary Fund and the US Treasury. The US can hardly complain if exports now increase.

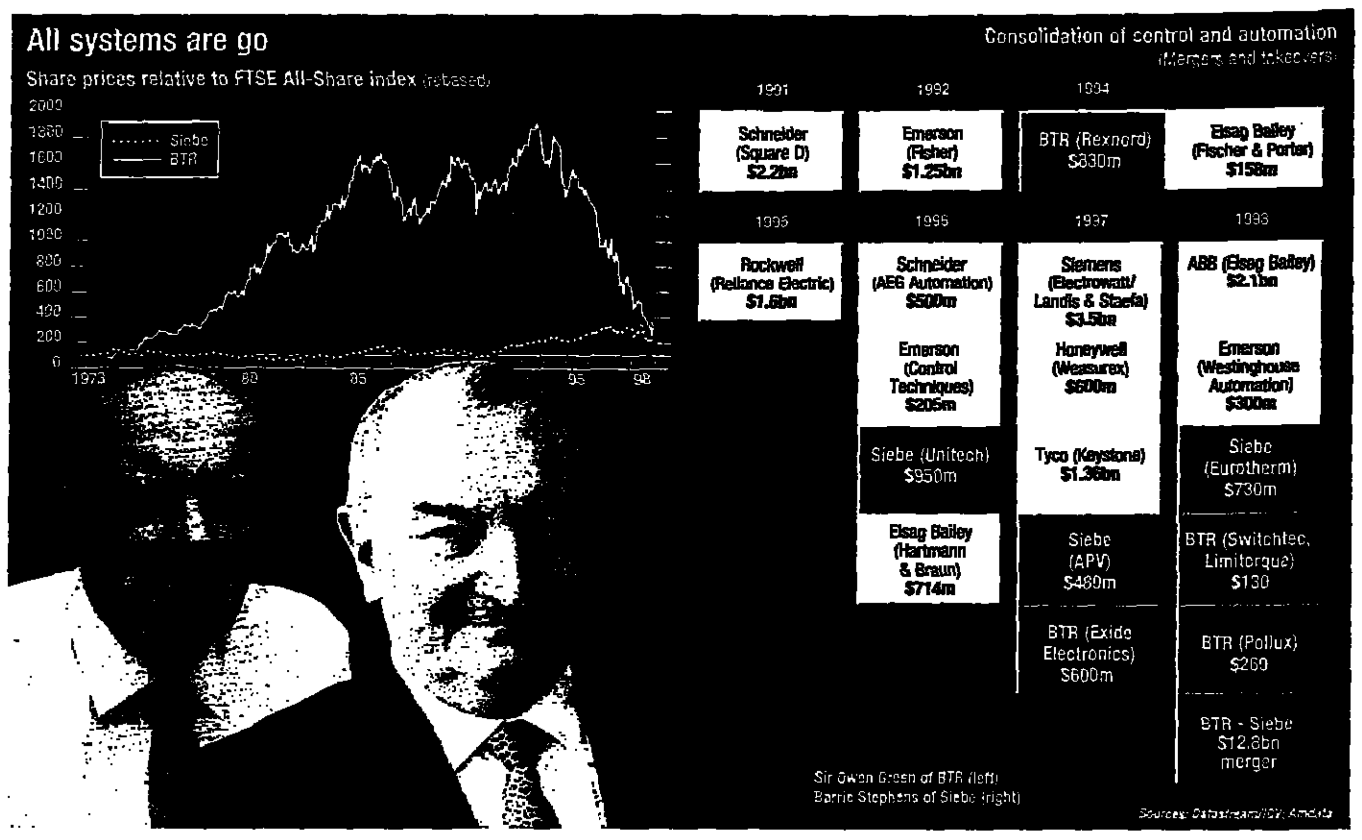
Provoking a backlash will distract from the central issue. A Japanese recovery is a prerequisite for a wider Asian recovery. And until the Japanese government begins to tackle the structural weaknesses and overcapacity of its economy, a recovery there looks unlikely.

Japan cannot rely on exporting its way out of trouble or US trade hawks will not be the only people to squawk. Japan must help its neighbours by absorbing their exports. Mr Clinton was right to point this out. But aiming primarily for political points at home, rather than progress in Japan, obscures the message.

Furthermore, trade disputes could leach into security matters. North Korea, instability in Indonesia, and respect for human rights in China are all difficult matters requiring both US leadership and co-operation with Asian governments. But by beating the drum to the tune of domestic pollsters, the US risks undermining its legitimate role.

One-man shows

Tony Jackson argues that there are lessons in the Siebe/BTR merger that could apply even to Microsoft or News Corp



Sir Owen Green of BTR (left) Barrie Stephens of Siebe (right)

Sources: Datastream/ICV; Amdata

In a world of ever-vaster bids and deals, yesterday's £7.6bn ($12.8bn) merger of Siebe and BTR hardly seems to merit particular attention. True, in one respect it is a sad ending to a remarkable tale. Throughout the 1980s, BTR was one of the brightest stars in the UK corporate firmament. Now, after a prolonged decline, it has been snuffed out.

True, too, it is the beginning of a brave new story – that of Siebe's emergence as a world-class engineering company (see below) – or so the deal's proponents would have it.

But the real lessons of BTR's demise have a broader application and are less comfortable, not least for Siebe itself. They throw into unsettling relief the continued problems of conglomerates and, especially, the difficulties of companies made in the image of their creator.

BTR was built by one man – Sir Owen Green – on a single premise: that management was a generic skill, and that good managers could manage anything. In the end, this proved false: but in the event, the strategy proved impossible to reverse.

In its heyday BTR, like Hanson, was a pure acquisitive conglomerate. It thus typified a corporate model which, by the early 1990s, plainly had no future.

Hanson conceded the point and split itself up. BTR, though, had always aspired to higher things. Other conglomerates might be mere asset traders: BTR was a manufacturer.

So if the name of the game was now focus, BTR would become a manufacturing specialist. Hence its disposal programme, which has halved the group's revenues in a little over two years.

The aim was to become a pure engineer. As the plunging share price showed, the strategy failed. So BTR has now thrown itself on the mercy of Siebe, whose engineering credentials are rather better established.

But there is an unsettling parallel. When Sir Owen Green took over as chief executive of BTR in 1967, it was a tiny company with a distinguished past and no future. Its enormous growth in value – to more than £14bn at its peak – was his achievement, and did not survive his retirement.

Likewise Siebe. When Sir Barrie Stephens took over in 1963, it had a fine history as a 19th century engineer, but its revenues had dwindled to a mere £1m. Its growth since then – less spectacular than BTR's, to be sure – was likewise his monument.

The parallel can be pressed. Sir Owen retired in 1993. In August of that year, BTR's shares hit their all-time high relative to the market. Since then they have underperformed by 87 per cent.

Sir Barrie, his junior by some four years, did not retire until last May. In that month, Siebe too hit its all-time high relative to the market. Since then it has underperformed by 40 per cent.

Given BTR's longer decline, the reversal of fortunes has been remarkable. At its absolute peak in 1994 BTR was worth £14.2bn, while Siebe was worth £2.5bn. By last Friday's close, Siebe's value was £4.5bn, while BTR's had slumped to £3bn.

With hindsight, it is fairly easy to say where BTR went wrong. Ostensibly, its skill was to buy ill-run companies and make them more efficient. In reality, it relied heavily on one tactic: pushing up prices.

One of Sir Owen's senior lieutenants, the late John Cahill, would relate how he bought auto component suppliers in the US in the 1980s and promptly doubled their prices. There would be howls of protest from Detroit, but most would fall in line.

In this respect, BTR was a child of inflation, a one-trick pony. Today, prices of manufactured goods are in steady decline. The only response is to raise unit volume – a skill which BTR, it seems, never really grasped. Deflation, it seems, has claimed another victim.

But Siebe, its admirers will protest, is nothing like that. For a start, it was never an acquisitive conglomerate.

Really? In the mid-1960s, the heyday of the conglomerates, Siebe made anything from gas masks and wound dressings to fire engine ladders. It doubled and trebled its size by acquiring makers of garage equipment and compressed air machines.

Its present image as a maker of sophisticated process controls dates from 1990, when it acquired Foxboro, a venerable but flagging US company.

For Siebe, it was the defining purchase. The equivalent for BTR was the 1983 acquisition of Thomas Tilling, a failing conglomerate much larger than itself. But while Tilling confirmed BTR's conglomerate status, Foxboro turned Siebe into a specialist high-technology engineer just as the conglomerate idea was dying.

Now, that may be changing again. Though BTR is presented as a seamless fit, in reality, it is still something of a ragbag. That is, Siebe is taking a step back towards the conglomerate image which it been at pains to shake off.

Its future may thus be less clear-cut than its supporters would have us believe. Just six months after the departure of the man who made it, Siebe is taking a gamble which could make or break it.

It is at this point that the tale of BTR and Siebe comes to illustrate a general truth. It is unsettling to recall how many companies in recent years have failed to establish a life independent of their founders.

Obvious cases are Hanson and Lonrho, which lasted only as long as Lord Hanson and Tiny Rowland respectively. But who can seriously believe that News Corporation will long survive Rupert Murdoch? Indeed, who would give odds on Microsoft's future if Bill Gates fell under a bus?

This is not to say all companies with high-profile, dominating bosses are vulnerable. These cases are very different from such well-known executives as Jack Welch of General Electric or Lou Gerstner of International Business Machines. Mr Welch is merely one distinguished figure in a line which stretches back to Thomas Edison. Mr Gerstner deserves credit for reviving the creation of Thomas Watson Snr, but he is no longer indispensable to its future.

The BTR saga raises a further awkward question. The company turns out to have been a one-trick pony. That is easy to see with hindsight. But how many other one-trick ponies are enchanting investors today?

That is to say, how many companies are enjoying success contingent on a set of finite circumstances? Some of them may be the stars of today's market. For after all, it is those companies which best match their circumstances that do best while the good times roll.

BTR flourished by exploiting inflation and an inefficient market for corporate control. Which companies are now thriving on deflation, or on efficient markets? Which are making hay from the globalisation of trade, and how will they fare if protectionism returns?

It may seem a long way from such reflections to the fairly modest deal announced yesterday.

It might also seem implausible that such mighty entities as Microsoft or Dell Computer could fail to survive their founders.

But when the climate turns, it turns fast. Recall that when Sir Owen Green retired six years ago, BTR was the seventh biggest company on the UK stock exchange: and look at it now.

Britain's engineering hope

Few of the tourists who queue every year to view the Queen's residence at Windsor Castle realise they are just a ball bearing's throw from the headquarters of Britain's fastest-growing engineering company. And that is just as the secretive Siebe likes it.

But yesterday the company, by merging with BTR, became Britain's largest purely engineering outfit – bigger than GKN or Rolls-Royce– with annual sales of over £8bn. Through the merger, it claimed to be consolidating its position as "global leader in controls and automation". The result is that on Siebe's shoulders must now rest Britian's hopes of having a world-class engineering business.

It is a formidable challenge. From a position 150 years ago when the likes of James Watt, Samuel Crompton and Isambard Kingdom Brunel were well known for their role in creating the UK's industrial revolution, British engineering has fallen into obscurity.

The industry complains that not enough young people are studying the discipline; John Robinson, chairman of the Confederation of British Industry's technology committee, said last month that university applications for engineering degrees had fallen 28 per cent in three years, with physical sciences applications down 25 per cent.

The upshot is that many UK engineering companies cannot find enough qualified people. Britain has about 500,000 people doing an engineering job carrying a technical qualification, working not just for companies making engineering products but those such as utilities or chemical suppliers which have an engineering side. According to recent surveys, such companies need up to another 25,000 such people – a huge shortfall.

The biggest problem appears not to be salaries, which are comparable to those in other professions (at least for qualified people in their 30s) nor the work they do, which many judge to be at least as interesting as in disciplines with more cachet such as medicine. Rather it is because many people equate engineering with dirty, dangerous or boring work.

Few of Britain's biggest engineers have been able to change this poor image – and Siebe is no exception. In Germany, engineers may like to go to work for a company producing expensive, smooth-running cars. But it is hard to get excited about what Siebe does – producing widgets and systems that make factories work.

To be fair to Siebe, the aero-engine supplier Rolls-Royce – the one big UK engineering success story with products that virtually everyone can identify with – has done no better. Its senior executives are almost as reluctant as those at Siebe to lend a hand in brightening the dull image of the discipline in the UK.

The merged company, with over 10 per cent of the global market for factory controls and automation, is a world-class outfit. But until the UK's engineering industry can attract the most talented people, it will find it hard to extend Siebe's success into other areas.

Peter Marsh

OBSERVER

Deutsche marks Dimon's card

Deutsche Bank hasn't fought shy of hiring big in the US, even if it has sometimes ended up with egg on its face. Two years ago it hired Silicon Valley investment banker Frank Quattrone – who jumped ship last July to Credit Suisse First Boston taking more than 100 of his technology experts with him.

But now that it seems to have Bankers Trust in the bag, Frankfurt is wondering whether Germany's biggest bank will try to hook another big fish – Jamie Dimon, 42, following his departure this month as president of Citigroup.

Dimon would surely demand a top-notch job – like running the new investment banking unit. But that was apparently earmarked early on for Bankers Trust chairman Frank Newman, perhaps in tandem with Josef Ackermann, Deutsche's head of investment banking.

Rumours on Wall Street following the forced resignation of Dimon three weeks ago had a discontented Bankers Trust board ousting Newman in favour of the dynamic Dimon. But Newman's position may be more secure under his new German masters. And, for the ambitious but wary Dimon, even a senior position at Deutsche Bankers Trust might not cut any ice.

He has been badly burnt by events at Travelers Group. His relationship with his mentor Sandy Weill – now co-head of the merged Citigroup – deteriorated after a row over the role of Jessica Bibliowicz, Weill's daughter, who left the firm. Dimon might steer clear of putting his fate in the hands of a bigger boss.

Soft cellar

Rome wasn't built in a day, but the foundations for Project Rome – the codename for the merger of Siebe and BTR, two of the venerable names of British engineering – may have been laid longer ago than three and a half weeks, the timetable given by both companies yesterday.

Observer spotted BTR boss Ian Strachan nine weeks ago at Möet & Chandon's cellars in Epernay, east of Paris, where he was spending a weekend in the champagne house's glorious guest house, the Château de Saran. The guest list also included Piers de Montfort and Sir Anthony Tennant, two of Siebe's advisers from Morgan Stanley. A suitably old world setting for a discreet word over the fizzy stuff.

On the loose

Maybe it's a coincidence – maybe not. Just after Israel released 250 Palestinian prisoners, a gang of thieves pulled off what may be the biggest heist in West Bank history. At the weekend, a dozen masked and bewigged bandits held up a van from the Cairo-Amman Bank as it wove its way through the scenic hills between Hebron and Ramallah: they fired a few shots and ran off with $500,000 in cash.

Palestinians were furious last week when, under the latest stage of the peace process, Israel freed straightforward criminals rather than the political activists the Palestinians had been hoping to welcome home.

Police are not yet sure whether the robbers were Israelis, Palestinians – or both. As Yassir Arafat and Benjamin Netanyahu grope towards some sort of accommodation, Arab and Jewish criminals have been quicker to recognise that working together can really pay off.

Shipshape shop

Employees of Mitsui OSK Lines were puzzled when Masaharu Ikuta, president of the Japanese shipping outfit, cleared out two whole floors at Tokyo head office in the summer. Times are tough, so staff wondered – not always quietly – why Ikuta didn't rent out the space to earn a few yen. The boss maintained a Zen-like silence.

All became clear at the weekend when Mitsui launched its takeover of tanker titan Navix Lines: the space is reserved for Navix staff. Ikuta admits that his space clearance must have looked "crazy" to the 1,130 Mitsui employees, but he's pleased that he managed to keep the merger plan a secret.

The whole thing got under way last year at a party held by executives of Cosmo Oil, the troubled petrol group. Ikuta and Navix boss Noriaki Hori slipped outside for a chat and ended up shaking hands on the bones of a merger. Corporate communication is all very well, it seems, but forward planning takes precedence

Mouthpiece

Yuri Luzhkov, Moscow's populist mayor, has a lot of explaining to do if he wants to win the Russian presidency in 2000. Earlier this year, he seemed to be flirting with the communists, then last week he formed a new party – Fatherland – which he said would woo the political centre.

So what better spokesman for Luzhkov than Sergei Yastrzhembsky who, as the voice of the Kremlin, issued regular "clarifications" of the remarks of President Boris Yeltsin?

Yastrzhembsky lost his Kremlin job a couple of months back, apparently for opposing the appointment of Yevgeny Primakov as prime minister. Now the former diplomat has swapped the communist-bashing president for the IMF-bashing pretender. His clarification skills had better be in good shape.

The Financial Times

100 years ago

Regeneration Of Spain
Saragossa, 22nd Nov. The Commission appointed by the General Assembly of Spanish Chambers of Commerce to consider the political and administrative reorganisation of the Army and Navy has concluded its report. It suggests that the State arsenals should be closed, that the Merchant Marine should be placed under the control of the Ministry of Agriculture and Trade, and that the rewards offered to officers in connection with the campaign against the rebels in Cuba should be revised. It is proposed that the holding of any State employment should be declared incompatible with the duties of mayor or deputy.

50 years ago

S. Africa Election
Cape Town, Nov 23. Hopes that the natives will retain parliamentary representation in South Africa are believed to be seriously affected following the election of a new Natives' Representative in the House of Assembly for the Cape Western constituency. Mr. Sam Kahn, a Communist, was elected, defeating Mr. D.M. Buchanan, United Party, and Mr. van der Merwe, Nationalist.

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FERGUSON ENTERPRISES

THE LEX COLUMN

e-competition

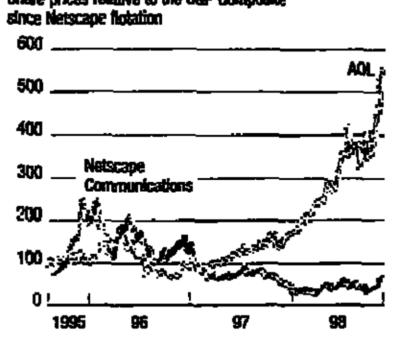
America Online's proposed acquisition of Netscape looks like the most serious challenge to Microsoft in a decade. That verdict *may seem* laughable at first sight. America Online, after all, was until recently dismissed as a company that would rapidly be made obsolete by the internet.

Netscape, meanwhile, has been so battered by Microsoft's hardball tactics that it is now agreeing a takeover at less than half its 1995 share price peak. Investors even marked up Microsoft's stock on the basis that the creation of a stronger competitor would undermine the government's antitrust suit.

They should reconsider. With 14m customers, AOL already has the leading consumer franchise on the internet. Adding Netscape will help attract more sophisticated users and steal a march in Europe, the next great growth area. The combined group will control two of the top three domains on the web in terms of traffic: aol.com and netscape.com. And Netscape's recent foray into e-commerce software gives AOL its first entry to business customers, though it is likely to do this in conjunction with Sun Microsystems.

Just as worryingly, this deal would move AOL out of the Microsoft camp, whose browser it has been using, and into the arms of Sun and Oracle. This coalition may well be able to provide real competition to Microsoft when it comes to setting the future standards for the internet.

America Online and Netscape
Share prices relative to the S&P Composite since Netscape flotation



Source: Datastream/ICV

Siebe/BTR

BTR's suffering throughout the tortured *transformation from coreless conglomerate* to eclectic engineer has at last ended. But is this at Siebe's expense? To judge from the ecstatic market reaction to the agreed merger, apparently not. But the 40 and 13 per cent rises respectively in BTR's and Siebe's shares should be taken with a pinch of salt.

The aim is to create a world class automation and controls company to rival Siemens, ABB and Emerson. Still, simply *meshing the two companies' control* systems businesses, which sit at opposite ends of the engineering value chain, will not achieve that.

The ability to provide turnkey solutions for industrial customers is important, but there is no need to manufacture everything in-house to do so. And there is also a lot more to BTR than just that division. Taking on its struggling automotive division and specialist engineering mish-mash will dent Siebe's credibility as a focused engineer.

Since BTR alone was hard enough to manage, it can be little surprise Siebe has such low expectations of the savings that can be created. Enhanced purchasing power and lower corporate and selling costs are seen as saving £250m in year three. Taxed, discounted to present value and put on a multiple of 10 times, such savings could be worth £900m after deducting £400m of upfront restructuring costs.

However, over £1.8bn was added yesterday to the companies' combined market values. The best explanation for the missing £900m is investor relief that BTR's *misery is over. The hope is that a com*bined Siebe/BTR under the leadership of Siebe's Allen Yurko will deserve the premium rating of an Emerson or a Honeywell.

Perhaps. But the old BTR management – including Ian Strachan, chief executive, and Kathleen O'Donovan, finance director – are retaining important executive posts. A clean break with the past might have been healthier. Indeed, a change of man*agement on its own might have achieved* nearly as much for BTR shareholders as yesterday's deal. And to judge from Siebe's own disappointing interim results yesterday – which were drowned out in all the fanfare – neither party is in its prime.

News Corp

Rupert Murdoch is at it again: calling a press conference without anything concrete to announce. On the face of it, yesterday's conference was to launch News Corporation (yet again) in continental Europe. But there were no details and no deals – only the reaffirmation that News Corp is in advanced talks with Telecom Italia about entering the Italian pay-television market.

Moreover, Mr Murdoch's prospective partner, Telecom Italia, was conspicuous by *its* absence. *That is hardly surprising.* After all, yesterday was the first day at work of Franco Bernabè, its new chief executive. He would naturally want some time to review his options, especially since a link with Mr Murdoch would be politically sensitive.

So why then did Mr Murdoch call a press conference? Two explanations spring to mind. First, that he hopes to bounce Mr Bernabè into a deal; second, *that he wants to put the frighteners on* Canal Plus, which runs Italy's established pay-TV network. Certainly, the announcement savaged Canal Plus's share price. But competing against *Canal Plus's* Telepiu will not be easy. Though not as entrenched as Mr Murdoch's UK outfit, British Sky Broadcasting, Telepiu still has most of Italy's film and football rights sewn up. Any fight will be extremely bloody, with Mr Murdoch probably taking most of the punches.

AMP/Tyco

So AMP has found its white knight. AlliedSignal, the original bidder, will find it hard to beat Tyco's $11.3bn agreed offer for the electrical connectors group. Not only is Tyco's bid $1.5bn higher, apparently justified by operational and tax synergies; it is in stock, allowing shareholders to participate in the upside as the cycle turns in AMP's favour. Even so, this is not the free and fair auction that would have produced the highest possible price *for AMP. First, AlliedSignal has been* repeatedly stymied by the cosy anti-takeover laws in Pennsylvania where AMP is incorporated. Now Tyco has insisted, as the price of doing a deal, that AMP cannot consider another offer (even if superior) until November 1999.

Yeltsin greets Chinese leader in Moscow clinic

New speculation on health as Russian president suffers pneumonia

By Andrew Jack in Moscow

Boris Yeltsin was forced to greet Jiang Zemin, the Chinese leader, from a hospital in Moscow yesterday, a renewed sign of the serious decline in the Russian president's health.

The unusual venue for a meeting between the two heads of state came after Mr Yeltsin was taken to a leading clinic on Sunday with what offi*cials* described *as* pneumonia.

The news triggered fresh speculation about his capacity to serve as president until the end of his term in 2000.

In pointed remarks yesterday, Victor Chernomyrdin, the former prime minister, expressed his regret that such incidents with Mr Yeltsin "have been happening more and more frequently".

He said: "It is important that the country's leadership and the president should be in their places of work".

A number of other *politicians* called for the presidential elections to be advanced to September next year.

Oleg Sysuyev, Mr Yeltsin's deputy chief of staff, appeared to be raising the stakes when, in an interview, he described *Yevgeny Primakov, the* prime minister, as "effectively the deputy president" and someone who because of his role was "obliged to consider himself a candidate for the presidency".

Under the present Russian constitution, *if Mr Yeltsin died in office* Mr Primakov would act as head of state for three months until elections could be held.

Opinion polls have given him a strong chance of winning, although he has formally said he is not interested in the post.

In an atmosphere of growing concern following the murder of Galina Starovoitova, the prominent liberal St Petersburg deputy, some commentators also started to call for a state of emergency. Several prominent public figures argued yesterday that *she had* almost *certainly* been assassinated for political reasons.

Mr Yeltsin's flagging health has long been a source of concern to policy makers, both before and after he underwent a heart by-pass operation in 1996.

During a brief return to work in Moscow in mid November, he cancelled his planned attendance at a banquet in honour of Keizo Obuchi, the Japanese prime *minister*.

Since then he has kept a low profile, largely based away from the public eye in his Gorky-9 residence outside Moscow. He was briefly shown on Russian television yesterday greeting his Chinese counterpart, but there *was no accompany*ing sound.

A spokesman said Mr Yeltsin was likely to be in hospital for a week and was being treated *with antibiot*ics.

He held a short meeting with Gerhard Schröder, the German chancellor, last week, but has postponed a planned trip to India. Queen Beatrix of the Netherlands, who had planned to visit Moscow, has also delayed her visit.

European Union partners back Britain to lift beef export ban

by Michael Smith in Brussels

Britain yesterday won a 32-month battle to end a worldwide ban on *its* beef exports, securing stronger support than expected from its European Union partners.

The worldwide ban on exports of British beef, imposed nearly three years ago because of the BSE – or *mad cow disease – epidemic in the* UK, is set to be lifted following a vote yesterday by European Union farm ministers.

Ten of them voted to lift the ban, with only Germany's Karl-Heinz Funke against. France, Spain, Luxembourg and Austria abstained. The vote clears the way for the UK to resume exports in the spring. The crisis over BSE has cost the country *more than £5bn in* eradication measures and lost exports.

Before restarting exports, the UK must complete a cull of calves born of BSE-infected cattle and obtain EU approval for its exporting facilities.

Nick Brown, UK farm minister, hailed a "good day for Britain and the European Union" but acknowledged it would be difficult for Britain to get back into world markets.

Yesterday's vote fell short of the qualified majority needed for a final decision. However, it was enough to enable the European Commission, the EU's executive, to end the ban at *its weekly meeting either tomorrow* or next Wednesday.

The EU prohibited Britain from exporting beef in March 1996 after UK scientists identified a link between BSE and nvCJD, a fatal disease affecting the human brain.

Some 30 people have died from nvCJD, 29 of them in the UK, one in France. BSE has been detected in more than 175,000 cattle, 99.7 per cent *of them* in the UK.

The ban halted exports of British cattle and beef, worth more than £600m a year. The UK government has spent about £4.6bn tackling the disease.

Under the European Commission's scheme, Britain will still be prevented from selling live cattle abroad but will be able to export *boneless beef from cattle born* after August 1996 and over six months old.

Ben Gill, President of the UK's National Farmers' Union, acknowledged there was a "tough road ahead" to rebuild export markets.

Franz Fischler, EU farm commissioner, who pushed for the ban to be lifted, said it would be difficult for the UK to restore export levels.

"It is not only because of BSE that there are market problems. It is the breakdown of the Russian beef market and it is the decrease of beef exports everywhere in Europe and also America."

Britain yesterday won the backing *of Italy and the Netherlands,* which had withheld support earlier this month. Among countries which abstained, Luxembourg said it had preferred a delay to evaluate an export scheme from Northern Ireland which began in the summer.

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A long wait at Brussels South station. Strikes to protest against European Commission plans to liberalise the freight market severely disrupted rail traffic in six European Union countries. Page 2

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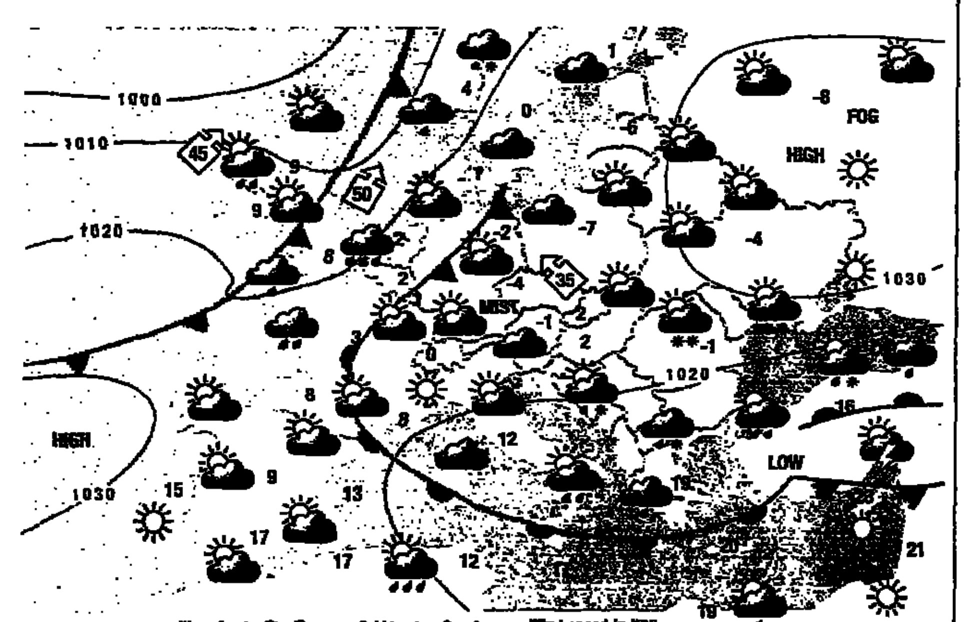
FT WEATHER GUIDE

Europe today

Spain and Portugal will be mostly dry and bright, although it will be cold. Southern Italy and Greece will have showers. Central and eastern Europe will remain extremely cold with patchy freezing fog. This dry but frosty weather will again affect northern Italy, most of France and the Low Countries, although north-west France will be milder.

Five-day forecast

Western Europe will have patchy rain tomorrow, but it will then become dry and settled, although it will be noticeably milder than recently. Temperatures will also slowly rise across central Europe, but the extreme east and north-east will stay very cold. The western Mediterranean will be mainly fine, but the central and eastern Mediterranean will be very showery.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	29
Accra	Cloudy	32
Algiers	Shower	17
Amsterdam	Shower	2
Athens	Shower	19
Atlanta	Fair	22
B. Aires	Rain	30
B.ham	Rain	9
Bangkok	Cloudy	30
Barcelona	Fair	10
Beijing	Cloudy	1
Belfast	Shower	8
Belgrade	Fair	1
Berlin	Fair	-2
Bermuda	Fair	25
Bogota	Rain	18
Bombay	Sun	33
Brussels	Fair	2
Budapest	Fair	2
C.hagen	Fair	1
Cairo	Sun	24
Caracas	Fair	30
Cardiff	Rain	10
Casablanca	Fair	18
Chicago	Sun	15
Cologne	Fair	1
Dakar	Fair	31
Dallas	Sun	22
Delhi	Sun	26
Dubai	Sun	31
Dublin	Fair	9
Dubrovnik	Fair	9
Edinburgh	Fair	9
Faro	Sun	17
Frankfurt	Fair	1
Geneva	Fair	0
Gibraltar	Fair	17
Glasgow	Shower	9
Hamburg	Fair	0
Helsinki	Cloudy	1
Hong Kong	Fair	26
Honolulu	Fair	29
Istanbul	Shower	16
Jakarta	Thunder	33
Jersey	Rain	10
Johannesburg	Fair	25
Karachi	Sun	30
Kuwait	Fair	32
L. Angeles	Sun	20
Las Palmas	Fair	22
Lima	Cloudy	22
Lisbon	Sun	15
London	Rain	8
Lux.bourg	Fair	1
Lyon	Fair	2
Madeira	Fair	21
Madrid	Fair	9
Majorca	Shower	13
Malta	Fair	17
Manchester	Rain	9
Manila	Cloudy	29
Melbourne	Fair	22
Mexico City	Fair	23
Miami	Thunder	28
Milan	Cloudy	6
Montreal	Cloudy	7
Moscow	Fair	-8
Munich	Fair	0
Nairobi	Fair	23
Naples	Shower	12
Nassau	Fair	28
New York	Sun	14
Nice	Sun	8
Nicosia	Sun	20
Oslo	Sleet	4
Paris	Fair	3
Perth	Sun	24
Prague	Mist	-4
Rangoon	Fair	33
Reykjavik	Sleet	5
Rio	Fair	24
Rome	Fair	12
S. Frsco	Sun	17
Seoul	Fair	7
Singapore	Shower	32
Stockholm	Sleet	0
Strasbourg	Mist	-1
Sydney	Fair	22
Tangier	Fair	17
Tel Aviv	Sun	26
Tokyo	Rain	14
Toronto	Fair	6
Vancouver	Rain	10
Venice	Cloudy	5
Vienna	Mist	-1
Warsaw	Fair	-7
Washington	Fair	16
Wellington	Rain	17
Winnipeg	Sleet	4
Zurich	Cloudy	-1

POWER IS NOTHING WITHOUT CONTROL.

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18,600,000 Shares

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Caixa Geral de Depósitos

Senior Co-Lead Managers
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Banco Comercial dos Açores
Banco Finantia
Banif – Banco Internacional do Funchal
BNC – Banco Nacional de Crédito Imobiliário
Caixa Económica Montepio Geral
Deutsche Bank de Investimento

Portuguese Institutional Offering of 1,898,400 shares

Lead Manager and Bookrunner
Banco Cisf

Joint Lead Managers
Banco Espírito Santo de Investimento
Banco Português de Investimento

Co-Lead Managers
Banco Chemical Finance
BNU – Banco Nacional Ultramarino
Deutsche Bank de Investimento

Co-Managers
Banco Mello de Investimentos
Central – Banco de Investimento

International Institutional Offering of 7,400,000 shares

Lead Managers and Bookrunners
Deutsche Bank
Banco Cisf

Co-Lead Managers
Merrill Lynch International
Salomon Smith Barney
Warburg Dillon Read

Co-Managers
Banco Chemical Finance
Banco Finantia
Banco Português de Investimento
BCH Bolsa
Caixa Geral de Depósitos
Central – Banco de Investimento
Banco Espírito Santo de Investimento
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INSIDE

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MARKET STATISTICS

AOL, Netscape discuss stock swap

Microsoft criticises possible $4bn internet sector deal

By Louise Kehoe in San Francisco

America Online, the world's leading online services and internet access provider, confirmed yesterday that it was in talks to acquire Netscape Communications, the pioneer of internet browser software.

Netscape also confirmed the talks and said they were discussing a stock swap deal under which shareholders would receive 0.4 shares of AOL for each Netscape share held.

The potential $4bn merger would reshape competition in the internet sector and create a powerful counterweight to Microsoft, the world's largest software company.

Goldman Sachs is advising AOL in the merger talks, and fellow investment bank Morgan Stanley is advising Netscape.

Microsoft said the proposed deal would undercut the US government's current legal action against the company, which alleges that Microsoft has acted to prevent competition in internet software.

But AOL stressed the deal was not signed and "there could be no assurance that an agreement will be reached or a transaction consummated."

Netscape's shares rose sharply on news of the potential acquisition. At mid-session the stock was up 7 per cent at $42 1/16, on heavy volume. AOL was also trading higher at $88 7/8, up nearly 5 per cent in mid-session.

In contrast to more recent internet entrants into the public market, which have achieved huge market valuations based largely on hopes of future sales, Netscape's valuation is grounded by its financial performance and the market challenges it faces.

The latter have been well documented in the Microsoft antitrust trial, currently under way in Washington. The government's case against Microsoft has portrayed Netscape as the victim of Microsoft's alleged bully tactics and emphasised its thus weaknesses.

AOL, which has also testified against Microsoft at the trial, is in a unique position to challenge the software giant. AOL competes directly with Microsoft only in the market for online services – a very small portion of Microsoft's business.

However, AOL's online transmissions to more than 14m subscribers represent a lucrative distribution channel for many products, including software and services.

AOL also confirmed yesterday that Sun Microsystems was involved in the ongoing talks with Netscape. Sun, which is a leader in the market for internet servers, was discussing a "development and marketing agreement for electronic commerce and new internet devices, which would involve Netscape products".

Sun is not expected to take an equity stake in Netscape but is said to be interested in licensing some of Netscape's products, particularly those used by website operators.

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Microsoft claim, Page 26

Siebe and BTR link up in deal worth £9bn

By Andrew Edgecliffe-Johnson and Peter Marsh

Siebe and BTR, two of the UK's largest engineers, are merging to form the world's biggest control systems and automation company, valued at £9.4bn ($15.7bn).

The new group will have just over 10 per cent of the $110bn controls and automation market, selling products ranging from controls for washing machines to systems capable of automating huge industrial plants.

Allen Yurko, chief executive of Siebe, who will take on the same role in the combined group, said it would be "capable of going toe to toe" with industry giants such as Emerson Electric of the US, Siemens of Germany and the Swiss-Swedish ABB.

He added the two companies were reacting to consolidation in the industry, saying: "This is a big market and it needs big players."

The deal, described by advisers as the UK's largest merger of manufacturing companies, is effectively an agreed takeover by Siebe.

BTR shareholders will receive 0.533 Siebe shares for each BTR share they hold, and end up with 45 per cent of BTR Siebe.

Lord Marshall, Siebe's chairman, will take the same role at BTR Siebe, and Jim Mueller, head of Siebe's controls activities, will step up to group chief operating officer. BTR's chief executive, Ian Strachan, will become executive deputy chairman, but is widely expected to leave once the two businesses have been integrated.

Shares in BTR, which had fallen by 80 per cent since 1995 to reach a 14-year low, rallied by 38p to 133p yesterday, valuing it at £4.4bn, while Siebe rose 28p to 243p, giving it a £5bn market value.

The two groups expect to take £250m off their combined annual costs by the year to March 2000. They are cutting 5,000 jobs, including 1,000 from the UK, from a combined workforce of 125,000. Mr Yurko said they hoped for further benefits from eliminating overlapping functions and selling each other's products. The merged company will have to spend £400m on the restructuring, which it will treat as an exceptional charge.

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Deutsche Bank and Bankers close in on merger

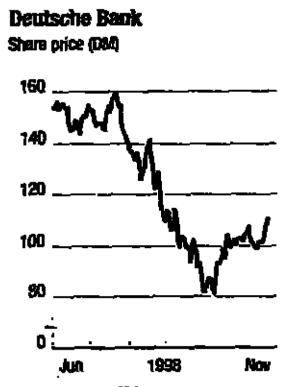
By Tracy Corrigan in New York

Deutsche Bank, Germany's largest bank, yesterday said it was in the advanced stages of negotiations to buy Bankers Trust for cash at a proposed price of $93 per Bankers share, valuing the US bank at around $9.7bn.

The deal would be the largest takeover of a US financial company by a foreign competitor, combining Germany's largest bank with the eighth largest US bank, measured by assets. It would represent a bid by Deutsche Bank to resume its aggressive push into the US which it failed to achieve through organic growth.

Bankers Trust shares rose almost 10 per cent to $85 following the announcement, while Deutsche shares jumped to DM115.30 before falling back to close up DM1.85 at DM109.35.

The banks said that the board of directors of Bankers and the steering committee of Deutsche's Vorstand – or executive board – have already reviewed and indicated their support for the proposed transaction, but have yet to approve it. Separate board meetings are



scheduled for Sunday, November 29 to finalise the deal.

"We are working diligently to finalise all terms in preparation for the Sunday meeting of our supervisory board," said Rolf Breuer, Deutsche's chairman. "We have scheduled high level meetings with regulators in New York and Washington this week to describe our proposed transaction."

Deutsche Bank's options for financing the all-cash transaction include selling part of one of its stakes in German industrial companies and raising fresh equity. For example, Deutsche could sell some of its 12 per cent stake in DaimlerChrysler.

"It really wouldn't do for a bank with lots of business in America to own a large part of Chrysler," said Raphael Soifer, financial services analyst at Brown Brothers Harriman, noting that US banks are restricted from owning big stakes in US industry.

Under international accounting rules, the cash transaction would be an acquisition and Deutsche would have to write off the difference between the cost and the book value of Bankers Trust as goodwill, according to analysts.

However, the banks are expecting to achieve annual synergies of around $1bn. According to people close to the situation, these will come from new revenues and cost-cutting, and includes the $300m cost-cutting programme announced by Bankers Trust last month.

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Murdoch to expand in Europe

Partners sought for television subsidiary

By John Gapper in London and Paul Betts in Milan

News Corporation, the global media group controlled by Rupert Murdoch, yesterday said it intended to expand into television and entertainment across Europe and would invite other media companies to invest in the venture.

Mr Murdoch said he wanted other media companies to acquire up to 20 per cent of a new European subsidiary, which would be run from Milan by Letizia Moratti, the former chairman of the Italian state broadcasting group RAI.

The initiative was announced along with a draft agreement for News Corp to take a 39 per cent stake of a new Italian digital pay television service that will be controlled by Telecom Italia, the state telecoms group.

TF1, the French television group, will hold 10 per cent of the venture, which will compete in Italy with Telepiù, 90 per cent owned by its rival Canal Plus. TF1 and News also intend to start a youth television channel in France.

Mr Murdoch said the venture with Telecom Italia, which has appointed a new chief executive, could fall through. He told a news conference in London that it would "either start very quickly or not at all".

Mr Murdoch also indicated that News was unlikely to take more than a small stake in the Kirch Group of Germany. It has been talking to Kirch and


On the same wavelength: Rupert Murdoch and Letizia Moratti walking in London yesterday AP

Mediaset, the Italian company, and Prince Al Waleed of Saudi Arabia.

"The level of investment that is being contemplated [by Leo Kirch, Kirch's chairman] has certainly been scaled down," Mr Murdoch said. However, he would consider the Kirch Group as a strategic investor in News Corp Europe.

News Corp is unlikely to buy more than 3 per cent of Kirch which has been talking to its banks about swapping some of its debt for equity in its German television ventures.

Canal Plus shares fell by 8.5 per cent yesterday on fears that Mr Murdoch's partnership with TF1 would provide strong competition in the French and Italian markets. Canal Plus wants to float Telepiù, which is losing money.

Mr Murdoch said he expected the new Italian company – which will include Telecom Italia's cable television venture Stream – would start by offering up to 100 channels to subscribers via satellite and cable, but could expand later.

The announcement provoked renewed political concern in Rome. Salvatore Cardinale, the Italian communications minister, has expressed his opposition to Mr Murdoch's plans.

Mr Murdoch said News Corp Europe might consider acquiring magazines and broadcasting assets, but he was not interested in acquiring general interest newspapers. He owns UK titles The Sun and The Times. Mr Murdoch has been trying to expand in continental Europe for several years. His effort to acquire Mediaset fell through earlier this year.

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Murdoch gains ground, Page 25

Tyco in $11.3bn 'white knight' offer for AMP

By Richard Waters and Nikki Tait in New York

The biggest hostile US takeover battle since the early 1990s appeared closer to a resolution yesterday after Tyco International launched an $11.3bn "white knight" bid for the embattled AMP, the electrical manufacturer.

The offer, worth $51 a share in stock, trumped a hostile $44.50 all-cash deal from AlliedSignal, the manufacturing group, made in August. If Tyco's stock moves above $67, the consideration will also rise, to a maximum of $55.95.

Wall Street signalled its expectation that this higher offer would carry the day, marking up shares in both AMP and AlliedSignal while wiping 5 per cent from Tyco's stock.

Tyco's intervention was aided by a 40 per cent rebound in its share price since early last month, which enabled it to offer stock while keeping its promise of only mounting takeovers that add to its earnings per share immediately.

The broad-based conglomerate, New Hampshire's only entry in the Fortune 500 listing of big US groups, also outlined a range of potential cost-savings from the deal that it claimed would top the benefits AlliedSignal had hoped to achieve.

According to Dennis Kozlowski, chairman, these included an annual $100m tax benefit that the company would receive from having its legal residence in Bermuda.

The two sides said they had agreed a break-up fee that would pay Tyco $300m, plus fees of up to $30m, if AMP walked away from the deal.

AMP, whose legal defence against AlliedSignal had appeared to be flagging, said it had started to talk seriously to Tyco about two weeks ago. It added that there had been various discussions and approaches to its financial advisers.

AMP also noted that Tyco tended to give its operating subsidiaries a good deal of autonomy, and run only a small corporate head office.

Under the Tyco-AMP deal, Robert Ripp, who became AMP's chief executive shortly after the AlliedSignal bid battle began, will remain at the helm of the electrical and electronic connector business.

Mr Kozlowski denied that Tyco had given Mr Ripp and his management team special treatment for acceding to his offer. "I think he is a talented executive, he will fit nicely into the Tyco culture," he said, adding that, like other executives, Mr Ripp would only receive a bonus in future if he boosts AMP's earnings by at least 15-30 per cent a year.

AMP said it also expected its own restructuring effort to continue. In the course of the bid battle, AMP has promised that this will generate earnings per share of $2.30 in 1999 and $3.00 by 2000, with operating margins increasing to 13.5 per cent next year and 16.5 per cent in the following 12 months.

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July, 1998
AZNAR
Manufacturer of lingerie, socks and swimwear
Pts 5,500,000,000
Management Buy-Out
Co-led, structured and arranged by
NatWest Equity Partners

July 1998
PANREAC QUIMICA SA
Manufacturer of fine chemicals and reagents
Management Buy-Out
Led, structured and arranged by
NatWest Equity Partners

...in the Spanish private equity market.

NatWest Equity Partners Limited, Regulated by IMRO

NatWest Equity Partners

POWER ENTERGY SELLS AUSTRALIAN GROUP TO AEP SUBSIDIARY AS PART OF DIVESTMENT OF NON-CORE ASSETS

US group disposes of CitiPower for A$1.7bn

By Gwen Robinson in Sydney

Entergy, the US power company, yesterday said it had sold CitiPower, its Australian electricity distribution business, to AEP Resources, a subsidiary of American Electric Power, for A$1.7bn (US$1.1bn).

The sale price was in line with expectations and represented a slight profit for Entergy, which acquired CitiPower from the state government of Victoria in early 1996 for A$1.58bn.

Entergy said it expected a gain of about 12 US cents a share, after currency-exchange and interest-rate differences, when the sale closed at the year-end.

The sale was part of Entergy's business strategy, announced in August, to divest non-core assets and refocus on core operations in international power development and power marketing and trading, as well as nuclear power operations.

The company's largest disposal is that of London Electricity, which has drawn bidders including British Energy and Electricité de France and is expected to raise £2bn (US$3.3bn).

Entergy hopes to realise about US$4bn in total, with most of the proceeds to go toward reducing debt.

Its new emphasis on core businesses led last week to the $80m acquisition of the Pilgrim nuclear power station in Plymouth, Massachussetts.

In Australia, the company is involved in the Tarong power generation project in central Queensland and has signalled interest in other projects.

Robert Luft, chairman and acting chief executive officer, said the company was pleased with the CitiPower sale. "Entergy's refocused strategy is taking shape at a pace that exceeds even our initial expectations."

Remaining divestments would be completed "on an accelerated schedule and at favourable terms", he said.

The CitiPower acquisition followed several attempts to break into the Australian electricity market through government privatisations.

AEP has a 20 per cent stake in Pacific Hydro, a Victorian developer and operator of hydro-electric power facilities. But the acquisition of CitiPower would give it an opportunity to "sharpen" its skills in the competitive Australian power market ahead of further deregulation in the US, said Donald Clements, president of AEP Resources.

AEP's bid defeated two other groups, one led by Texas Utilities Co, which owns another Victorian distributor, Eastern Energy, and the other led by Singapore Power, which had made two unsuccessful attempts to buy into the Australian electricity market.

Victoria is the only state to have privatised its electricity market, although other states are planning to do so.

AEP has no plans to list CitiPower, which has annual sales of about A$450m and net profit of about A$50m, on the Australian stock market.

Earnings at CLP increase by 41%

By Louise Lucas in Hong Kong

CLP Holdings, the bigger of Hong Kong's two electricity suppliers, yesterday reported a 41 per cent rise in group earnings to HK$8.14bn (US$1.05bn) for the year to September 30.

The core utility business, regulated under a government scheme of control, posted a 4.4 per cent rise in earnings to HK$4.97bn. The rise was driven by hotter weather, which prompted greater use of air conditioners, and a reduction in operating and capital costs.

Earnings not governed by the scheme of control increased 60 per cent to HK$1.62bn. This included an exceptional profit of HK$1.84bn on the sale of flats at Laguna Verde, a property development jointly run with Cheung Kong, the property developer.

The results are the first by the restructured CLP Holdings, which came into being at the beginning of this year. They include the electricity business as well as areas outside the scheme of control, such as mainland power investments and property.

Capital spending fell, with expenditure in the transmission and distribution network totalling HK$1.92bn, against HK$2.62bn in 1997.

In earnings outside the scheme of control, there was a fillip from the proceeds of a share placement to Citic Pacific, the Hong Kong-listed arm of Beijing's main investment agency, in 1997. The higher Hong Kong dollar interest rates boosted interest income to HK$1.15bn, against HK$702m last year.

Earnings per share rose 30.2 per cent, from HK$2.52 to HK$3.28. Excluding the exceptional item, earnings per share rose 5.6 per cent to HK$2.66. A final dividend of HK$0.48 is proposed, plus a special dividend of HK$0.10 a share.

Regent Pacific in red midway

By Louise Lucas

Regent Pacific, the Hong Kong-based asset management group, reported a US$57.17m loss for the six months to September 30 after writing off some $61.55m unrealised losses on investments in Russia and former Soviet satellite republics.

The loss compares with a profit of HK$42.37m (US$5.5m) last time. There will be no interim dividend.

One-third of the group's managed funds were invested in Russia ahead of the financial crisis; a further 25 per cent was in eastern European markets, which were also affected by Russia.

The group's decision to quit the Asian mutual fund business meant it was relatively unscathed by the region's financial crisis.

However, its immunity ran out in August when the Russian government suspended its domestic bond and currency market: a development, Regent Pacific said, which was without precedent since China in 1947.

Plans to sell its Russian Securities business were aborted by the crisis, and overheads there have been slashed. Elsewhere in the group, lay-offs and pay cuts have helped reduce costs.

Chief defends Daewoo finances

By John Burton in Seoul

Kim Woo-choong, chairman and founder of Daewoo, yesterday denied that South Korea's fourth largest conglomerate was in financial trouble as he called for a slowdown in *chaebol* reforms.

Recuperating from brain surgery performed last week, Mr Kim was repeatedly asked at a press conference about Daewoo's financial health. "Daewoo is not in need of any restructuring for now as none of its affiliates, except for recently acquired Ssangyong Motor, is in the red," he said.

Mr Kim, who also heads the Federation of Korean Industries, the big business lobby group, criticised government efforts to force the *chaebol* to cut large debt burdens, saying it would harm economic growth and discourage foreign investment.

During his weekend visit to Seoul, Bill Clinton, the US president, expressed impatience about the slow pace of reform among the top five *chaebol*. The leader of Korea's opposition party yesterday accused Mr Clinton of meddling in domestic affairs and said reform should not be conducted "according to the logic of foreign investors".

Speculation over Daewoo's future has increased recently because of a sharp rise in its net debt as it borrowed heavily in the bond market to cover a deterioration in working capital.

It has become the largest corporate bond issuer in Korea this year at Won11,100bn ($8.8bn), taking its outstanding bonds to nearly Won20,000bn. Another issue of Won500bn is scheduled for today.

Other *chaebol* have raised money in the bond market to pay back bank loans, but Daewoo has also reported an increase in bank loans, according to the government's Financial Supervisory Commission.

Nomura Securities said Daewoo's position was worrisome since most of its borrowings were short-term and the funds were being used to meet working capital requirements.

Adding to the concerns was a government decision to impose limits on the amount of corporate bonds held by financial institutions, which would hurt Daewoo's ability to raise funds.

"Daewoo is likely to face huge difficulties in arranging financing and it appears that its only survival option is through the sale of assets. However, we question whether it possesses companies or assets attractive enough to entice investors into the mergers and acquisitions market," said Nomura.

Some analysts believe Daewoo's situation could improve if General Motors accepts a Daewoo proposal to inject $2bn into Daewoo Motors. A decision is expected by the end of the year.

GM is interested in Daewoo's car plants in eastern Europe and an equity stake would also provide an entry into Korea's closed car market. But analysts are sceptical whether GM will provide the capital unless it is allowed to acquire a majority stake in Daewoo Motors.

Kim Woo-choong talks in October about expansion plans AP

Hongkong Telecom under fire for planned internet buy

By Louise Lucas

Hongkong Telecom's proposed HK$245.5m (US$32m) purchase of a rival's internet business has come under attack as "an obvious attempt to further monopolise the telecommunications industry in the territory".

The outburst from Asia Online, Hong Kong's leading independent internet provider, came as Hongkong Telecom announced its plans to buy the internet business of Star Telecom.

Hongkong Telecom says the deal would give it a market share of just over 50 per cent, but others in the industry claim it would be closer to 70 per cent.

The deal remains subject to regulatory approval. The Telecoms Authority, which oversees the industry, said it would take into account the impact on competition in the market and consumer interest.

Asia Online said the acquisition would threaten competitiveness in the territory. "With a *de facto* monopoly in a deregulated internet market, Hongkong Telecom is in a position to practise predatory pricing against would-be competitors and control the introduction and use of new internet technologies, such as e-commerce and internet phone/fax.

"For example, Hongkong Telecom has made it clear that it opposes the introduction of internet telephone technologies which, of course, threaten the massive profits reaped from its IDD services," it said.

Star Telecom has been tipped as a seller for several months, and in July entered talks with Hutchison Telecom. These discussions floundered. Its lossmaking internet business cost the group HK$15.76m last financial year, and the group will now stick with its core businesses of paging and mobile phone services.

Star Internet boasts about 80,000 subscribers compared with Hongkong Telecom's 210,000, according to the latter. Other figures show Star Internet has 150,000 subscribers. Although there are a score of internet service providers in Hong Kong, the bulk of the market belongs to only a handful.

It is the second acquisition in a year for Hongkong Telecom. In January it paid HK$4.83bn for Pacific Link Communications, Hong Kong's fourth biggest mobile telephone operator.

ABSA

ABSA Group Limited

Reg No 86/03934/06

INTERIM REPORT TO SHAREHOLDERS

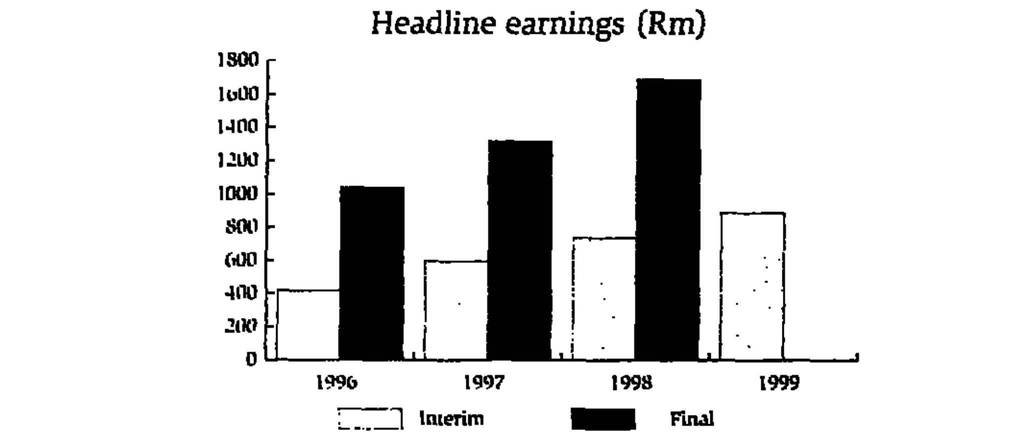
for the six months ended 30 September 1998

(Unaudited)

Headline earnings **up 20,3%** • Headline earnings per share **up 16,3%**

Attributable income **up 31,8%** • Dividends per share **up 15,4%**

Headline earnings (Rm)



	30 September Unaudited 1998	1997
Headline earnings (R million)	890	740
Income attributable to shareholders (R million)	857	650
Headline earnings per share (cents)	140,1	120,5
Earnings per share (cents)	134,9	105,8
Dividends per share (cents)	37,5	32,5
Return on average equity (%)	17,8	17,2

"ABSA is well-placed to weather these difficult times and is also ensuring tight control over operating expenditure. We are confident that we have the right strategies, people and systems in place to continue managing and growing the business on a sustainable basis, and we look forward to reporting satisfactory growth in earnings for the full year."

Danie Cronjé – *Group Chairman*

This information is also available on our website at http://www.absa.co.za/iff

All financial figures are reflected in South African currency.

For a copy of the Group's interim report, which will be published on or before 31 December 1998, contact Investor Relations, ABSA Group, PO Box 260595, Excom, 2023, South Africa. Telephone (2711) 350-4061 Fax (2711) 350-6487 E-mail willien@absa.co.za

This announcement is neither an offer to purchase nor a solicitation of an offer to sell these securities. The Offer (as defined below) is made solely by the Offer to Purchase dated November 20, 1998 and in the accompanying Letter of Transmittal (as defined below).

Notice of Offer to Purchase up to US$100,000,000 aggregate principal amount of

Pera Financial Services Company

9¾ per cent. Notes due 2002

by

Türkiye Garanti Bankası A.Ş.

Türkiye Garanti Bankası A.Ş., incorporated in the Republic of Turkey (the "Bank"), hereby offers to purchase for cash at the Purchase Price (as defined below) up to US$100,000,000 aggregate principal amount (the "Maximum Amount") of the US$350,000,000 aggregate principal amount outstanding of the 9¾ per cent. Notes due 2002 (the "Notes") of Pera Financial Services Company, incorporated with limited liability in the Cayman Islands (the "Company"), which Notes are secured by an assignment of all the Company's rights, title and interest under a loan made with the proceeds of the Notes to the Bank, acting by and through its Malta branch. The offer (the "Offer") is being made upon the terms and subject to the conditions set forth in the Offer to Purchase dated November 20, 1998 (the "Offer to Purchase") and the accompanying Letter of Transmittal (the "Letter of Transmittal" and, together with the Offer to Purchase, the "Offer Documents").

Subject to the pro rata allocation procedures described in the Offer to Purchase in the event more than the Maximum Amount of Notes are validly tendered, the consideration for each US$1,000 principal amount of Notes validly tendered and accepted for payment pursuant to the Offer shall be US$800 (the "Purchase Price"), together with accrued and unpaid interest from the most recent semi-annual interest payment date up to, but not including, the date of payment (or deposit with The Bank of New York, as Depositary), of an amount sufficient to pay for the Notes accepted for purchase.

CUSIP Nos./ISIN.	Class of Holders	Minimum Denomination	Clearance System
CUSIP No. 713573AA1 ISIN. XS0081142266	Qualified Institutional Buyers Non-US Persons (Regulation S)	US$250,000 US$1,000	The Depository Trust Company Euroclear and Cedel Bank (as defined in the Offer to Purchase)
CUSIP No. 713573AB9	Institutional Accredited Investors	US$1,000,000	The Depository Trust Company

THE OFFER WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON FRIDAY, DECEMBER 18, 1998, UNLESS EXTENDED (SUCH TIME AND DATE, AS THE SAME MAY BE EXTENDED, THE "EXPIRATION DATE").

Notes tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date pursuant to the procedures described in the Offer to Purchase. Payments of the Purchase Price for Notes validly tendered and accepted for payment, subject to proration under certain circumstances as described above, will be made promptly after the Expiration Date.

Requests for copies of the Offer to Purchase, the Letter of Transmittal or other materials may be directed to the Information Agent at the address and telephone number set forth below. Beneficial owners may also contact the Dealer Managers at their telephone numbers set forth below or their Custodian for assistance concerning the Offer.

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United States of America
(888) ML4-TNDR (toll-free)
(888) 654-8637
Attn: Liability Management Group

Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY
England
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November 20, 1998

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The interest amount payable by the Issuer on the Interest Payment Date falling on 24 May 1999 will be US. $ 29.50 per Bond.

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FINANCIAL SERVICES CHAIRMAN'S COMMENTS ON INTERNATIONAL ASPIRATIONS FUELS SPECULATION IN WAKE OF DEUTSCHE BANK DEAL

Dresdner Bank eyes buys and mergers

By Tony Barber in Frankfurt

Dresdner Bank yesterday said it was keen to expand in Europe, possibly by means of an acquisition or merger, but declined to say whether it intended to follow the example of its rival Deutsche Bank and buy a large US institution.

Bernhard Walter, Dresdner's chairman, said in a radio interview that he wanted to increase his bank's activities in the main countries using the single European currency from January 1.

"We will prepare ourselves to be stronger in Europe," he said. "Therefore we want to significantly strengthen our presence in the core euro countries. There are many possible ways, from a co-operation to a link-up, meaning an acquisition or a merger."

His comments fuelled speculation in financial markets that Dresdner and other German banks might follow Deutsche Bank on the acquisition trail abroad.

Deutsche Bank appears to have pipped Dresdner to the post by putting together a deal – albeit still awaiting final approval – to buy Bankers Trust of the US.

Deutsche hopes that the acquisition will ensure its place in the ranks of the world's leading investment banks. Financial markets have suspected that Dresdner will one day make a similar move in the US ever since the bank was reported last summer to have held informal talks with PaineWebber, the investment house.

Mr Walter declined to confirm that the discussions had taken place with PaineWebber, but made clear in September that Dresdner, like Deutsche, regarded it as important to strengthen its investment banking business in the US.

Dresdner officials said the bank, the third largest in Germany, would be interested in European financial companies that were a good "strategic fit", but added that price was inevitably an important consideration.

Like Deutsche and Commerzbank, its main Frankfurt-based rivals, Dresdner aims to exploit the opportunities presented by the euro's arrival to extend its activities across the 11-nation single-currency area.

But it has also indicated for more than a year that its ambitions go beyond Europe and that it would be particularly interested in buying a US investment bank.

Dresdner bought the London-based Kleinwort Benson group in 1995, but in the US it remains a long way from making a big impact in investment banking.

A New York listing would increase Dresdner's US investor base and would also make it possible to buy a US institution using stock as well as cash.

Murdoch gains some ground in continental Europe

Italian pay-TV deal is the breakthrough the media giant has long been seeking, write **John Gapper and Paul Betts**

Rupert Murdoch's announcement of a vehicle for his European ambitions in pay television and other media ventures marks a step towards his goal of building a presence in continental Europe to match that in the US.

He has had the goal in sight for several years, without achieving a breakthrough. In itself, setting up a subsidiary and taking a minority stake in a new Italian pay television venture is less dramatic than some acquisitions he has considered in the past.

Negotiations to acquire Mediaset, the dominant commercial broadcaster in Italy, fell through earlier this year, and his prolonged discussions with Leo Kirch, the German media owner, have yet to lead to any concrete agreement.

Yet the establishment of the News Corporation Europe group under the leadership of Letizia Moratti, the former chairman of the Italian state broadcaster RAI, is a demonstration of the strength of Mr Murdoch's European ambitions.

"There are two great markets in the world – one is North America and the other is Europe. They are almost equal in size and you cannot globalise a company without having some major activities in Europe," Mr Murdoch said yesterday.

Yet he has found it easier to penetrate the US with his Fox studio and television network than to break into European television. The biggest exception to this is his 40 per cent stake in British Sky Broadcasting.

His first difficulty has been to persuade entrenched media interests in different countries to let him in. Only when they are losing money have they been eager to negotiate – as in the case of Vox, the German television channel.

Mr Murdoch has 49.9 per cent of Vox, which he was sold by the German media group Bertelsmann. Vox is now near to break-even and News Corporation would like to expand the operations, but Bertelsmann is less eager to invest further.

He still faces some uncertainty with Telecom Italia, which has just appointed Franco Bernabe as its chief executive. Mr Bernabe is the former head of the Eni oil and gas group and one of Italy's most respected managers.

Mr Murdoch talked to Mr Bernabe over the weekend, and the venture has been approved by Telecom Italia's board. But Mr Bernabe has already made clear he will not be pressurised into taking any snap decisions.

> 'You cannot globalise a company without having some major activities in Europe'

The second difficulty is political. Mr Murdoch has aroused strong political opposition to his attempts to build European media interests. That has been evident in Italy, where there have been calls to block his entry to the market.

For this reason, Mr Murdoch was keen to stress he would be a "junior partner" in the new venture with Telecom Italia. "We do not expect to be a sleeping partner, but there is no question as to where control will lie," he said.

Sceptics point out that News Corp holds only 40 per cent of BSkyB yet has been able to exercise management control. Indeed News Corp's experience in turning BSkyB from loss into profit is one of its attractions to potential partners.

The establishment of News Corporation Europe could help Mr Murdoch's broader ambitions in two ways. First, by setting up a subsidiary under Ms Moratti, Mr Murdoch has better chances of gaining approval from Italian politicians.

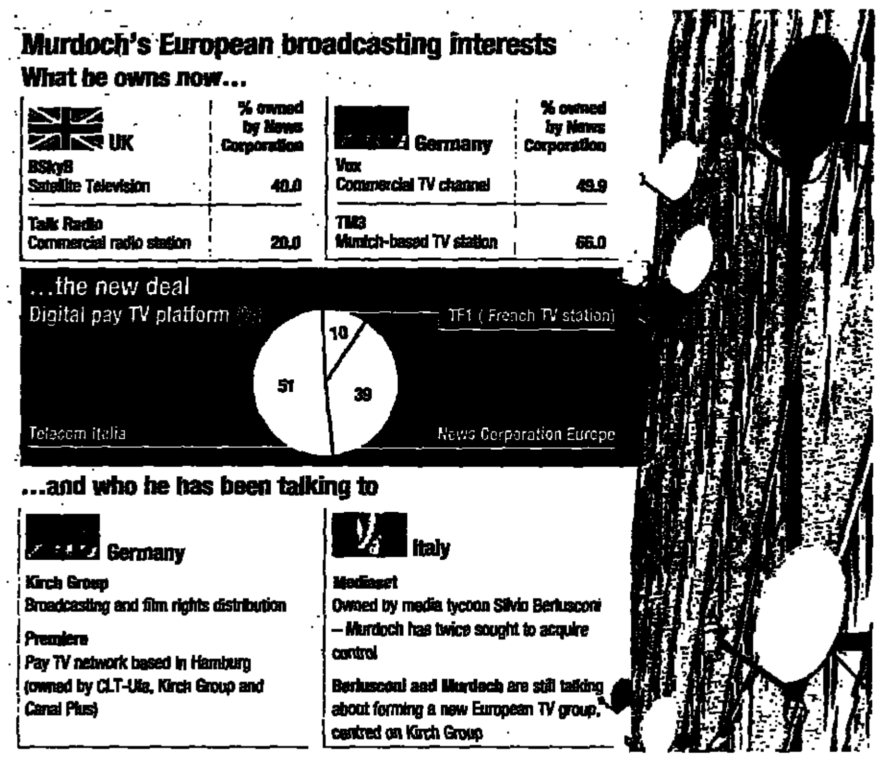
Ms Moratti could also help to draw RAI, which has so far proved hard to pin down, into the venture. This would give it greater credibility and programming strength in competing with Telepiu, Canal Plus's Italian venture.

Second, News Corporation Europe could provide a vehicle to draw in other partners. Mr Murdoch indicated that he would be willing to sell up to 20 per cent of the subsidiary to other media owners in Europe such as Leo Kirch.

From News Corp's perspective, this would provide him with greater political legitimacy. It could also give News Corp a better case in arguing that News Corp Europe should not be held back by laws limiting foreign ownership.

For now, Mr Murdoch has good reason to hope that at least one European regulator will be on his side. Karel Van Miert, the EU competition commissioner, has consistently tried to stimulate competition in pay television.

From such a perspective, the involvement of Mr Murdoch in a competitor to Telepiu is probably a good thing, as he pointed out. "We would try to aid competition, and that seems to be very much the policy of the Commission," he said.



HUNGARY BANK FACES COST CUTTING AND MANAGEMENT REVAMP

Postabank chairman aims to shake off past

By Kester Eddy in Budapest

Postabank, Hungary's fourth biggest bank, is joining its rivals on the long road to recovery.

A new leadership at the troubled bank, which is set to receive Ft152bn ($693m) in state aid before the end of the year, has launched a restructuring programme designed to cut costs, shake up management, and clear up the bank of loss-making investments.

These moves represent the completion of efforts to rehabilitate Hungary's biggest banks in the post-communist era.

Postabank's large rivals were either restructured or partially sold off in the mid-1990s.

Now, Henrik Auth, the new chairman who took control this summer, says he plans to prepare Postabank for sale, probably to an international bank, over the next two years.

But the bank carries with it heavy political and financial baggage.

For a start, it is struggling to recover from losses accumulated under Mr Auth's colourful predecessor, Gabor Princz.

Mr Princz, a confidant of Gyula Horn, the former Socialist prime minister, invested the bank's funds in everything from a brewery to a Spanish holiday resort, as well as making generous donations to sports and cultural events.

Mr Auth describes the bank as "a complete mess" when he took over in August.

"There was no pricing committee, no asset liability committee, no reporting lines. It was a shock for me."

Postabank was established in 1988 in the last days of the Communist regime as a private bank with strong links to government officials.

Mr Princz, who headed the bank from the start, was virtually immune from attack from the state regulator, which allowed him almost free reign in lending and spending policy.

Postabank, for example, spent heavily on corporate sponsorship, amounting to Ft2bn of the Ft3bn annual advertising budget which itself was a high proportion of total annual costs of Ft 20bn.

> 'It's very surrealistic. If we want to go on holiday we have a Spanish resort. If we want a beer we have a brewery'

"I don't know the reason for all this activity," Mr Auth says.

He says the bulk of the bank's losses, still running at Ft1bn a month, relate to the bank's portfolio of non-banking assets, which include a media empire and property holdings, as well as the holiday resort and brewery.

Mr Auth says he sees no industrial logic to the loan book.

"It's very surrealistic," he says. "If we want to go on holiday we have a Spanish resort. If we want a beer we have a brewery and if we want to read good news about the bank we have our own media empire."

Auditors are trying to finalise their assessment of the scale of the problems at Postabank, in which the state acquired a 75 per cent stake following its rescue.

Deloitte & Touche, Postabank's official auditor, says its loss estimate for the first seven months was about Ft95bn.

In the financial restructuring, to take place this year, the government will transfer Ft133bn in state bonds plus Ft19.5bn in cash to recapitalise the bank, while the bank cleans its portfolio with the transfer of non-performing assets with a net value Ft71bn to a debt work-out company.

With these moves, management "can turn to the future and close the past", Mr Auth says.

Meanwhile, the new chairman is shaking up management and cutting staff at the bank's headquarters from 170 to 91.

Most positions will be subject to an internal tendering process, with applicants judged on their prospective business plans. The selection process is due to be completed this month.

Mr Auth says the bank has a future in retail banking if it can capitalise on its 44 branches and a unique network of counters in post offices. This service is costly because it us underused but its potential is "strong".

Mr Auth said he had no intention of meeting his flamboyant predecessor. "We have nothing in common," he says.

NEWS DIGEST

ENERGY

Finland set to float 20% stake in Fortum

The Finnish government yesterday unveiled plans to float a 20 per cent stake in Fortum, the energy group formed by the merger this year of Neste and Imatran Voima (IVO), in an offering expected to raise up to FM5.28bn ($1.03bn). The global issue of 160m shares, deferred in September because of stock market volatility, will be priced at FM27-FM33 a share, valuing Fortum at FM21.4bn-FM26.2bn.

Morgan Stanley Dean Witter and Warburg Dillon Read will co-lead manage the international offering. Conventum Markets and Merita Corporate Finance will co-lead manage the issue to Finnish institutions.
Greg McIvor, Stockholm

SLOVAKIA

VSZ calls meeting over crisis

VSZ Holding, Slovakia's largest industrial company, yesterday agreed to hold an extraordinary shareholders meeting to discuss the company's financial crisis, which forced it to default earlier this month on a $35m loan due to a syndicate of banks arranged by Merrill Lynch.

The new Slovak government has said it will help the company only if the boards resigned but the management, which is closely linked to the former government of Vladimir Meciar, has up to now refused to comply.
Robert Anderson, Prague

AIRLINE CATERING

Gate Gourmet warns of job cuts

Gate Gourmet, the world's second largest airline caterer, has warned that about 1,000 jobs could be at risk following the decision of Scandinavian Airlines System, the three-nation Nordic carrier, to switch its catering activities to a new contractor from August 2000.

Zurich-based Gate Gourmet – a subsidiary of SAir Group, Swissair's parent company – said the loss of SAS as a customer threatened to reduce its operations in Scandinavia by about 50 per cent. SAS has decided to outsource catering on all domestic and international flights from Scandinavia from the second half of 2000 to LSG, the catering arm of Lufthansa – its partner in the six carrier Star alliance. The company employs 2,500 people within Scandinavia. SAS is its second largest customer, after British Airways. **Tim Burt, Stockholm**

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Fortis

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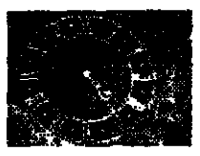
Munich Re wanted to improve its competitive position in primary insurance. We advised them on a DM15 billion merger of equals to create ERGO, now Germany's second-largest primary insurer. Shares of both ERGO and Munich Re have since outperformed the market.

Union Bank of Switzerland



Responding to global consolidation in the banking sector, UBS and Swiss Bank Corp agreed to merge and create Europe's largest financial services company. We advised UBS and provided a fairness opinion to their shareholders.

Zurich Insurance

We acted as sole adviser to Zurich on its merger with the financial services arm of B.A.T. Industries. The transaction has created one of the world's largest insurance and asset management groups.

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DISABILITY INSURANCE SPECULATION INTENSIFIES THAT CONSOLIDATION IN THE INDUSTRY WILL ACCELERATE

Unum and Provident form $5bn link-up

By John Authers in New York

Unum and Provident, the two largest disability insurers in the US, yesterday announced a $5bn merger in *an aggressive attempt to* build revenues both in the US and internationally.

The deal was received positively on Wall Street, with Unum's shares rising more than 7 per cent by midday, or $3¾, at $51⅞, while Provident gained almost 11 per cent, or $3⅞, at $37.

It also intensified speculation that consolidation in the insurance industry would accelerate. Michael Albanese, of AM Best, the rating agency, said: "We might have seen a temporary lull, but consolidation in the insurance industry is here to stay. Now that the *two largest players* have been brought together, disability income is going to be even more of a concentrated industry."

Once combined, the companies, which share a reputation for aggressive underwriting, will have more than a third of the US market for disability income insurance, which pays a proportion of salary to people when they are unfit for work.

Both companies said they were confident that no antitrust issues were involved, and that the merger should be completed by the middle of next year.

The companies said they intended to expand through broader distribution. While Unum mostly distributes through companies, Provident sells to individuals.

Individual income replacement insurance *has* traditionally been sold only to wealthy professionals, such as doctors and lawyers, while the market for middle-income Americans is much less developed.

James Orr, Unum chief executive, will stay on as chairman and chief executive until July 2001, when he will be succeeded by Harold Chandler, Provident chief executive.

Mr Orr said: "We all know that the line between group and individual insurance is blurring more and more all the time."

The new company will *attempt to re-model policies* currently offered via payroll deductions and sell them to individuals.

They are also looking for international growth, particularly taking advantage of countries where the welfare state is being reformed.

Unum already has a large *business in the UK*, through an alliance with Standard Life, and now hopes to offer more individual policies. Mr Orr said it would also attempt to boost sales in Japan, particularly to individuals.

Ann Perry at Moody's Investors Service said: "They *are basically piggy-backing* individual sales on to the group sales. Unum have done a pretty good job of cross-selling in other businesses. I think the big question is how quickly the combined company will be able to ramp up individual sales."

Unum and Provident also expect cost *cuts, mostly* through corporate staff and integrating field sales forces. These should reach between $120m and $130m annually, or 10 per cent of the companies' combined operating expenses.

Under the terms of the merger, Provident sharehold*ers will receive 0.73 shares of* the new UnumProvident in exchange for each Provident share.

At the market price at midday yesterday, this values Provident at $5.18bn.

Microsoft claims AOL deal erodes antitrust case

By Richard Wolffe in Washington

Microsoft yesterday described the merger talks between America Online and Netscape *Communications* as "a stunning combination" which substantially undermines the US government's antitrust lawsuit.

Speaking outside the court where Microsoft is currently on trial for antitrust violations, the company's lawyers said the possible merger *highlighted how little con*trol Microsoft exerts over the computer industry.

Microsoft stressed the possible involvement of Sun Microsystems in the merger talks to claim that the software industry *was undergo*ing a fundamental restructuring, which the government should not seek to control.

But lawyers for the US government dismissed *Microsoft's claims* and suggested the merger might reinforce the case against the world's largest software company.

In particular, the government seized on reports that AOL was considering maintaining its use of Microsoft's internet browsing software, instead of Netscape's rival product.

Its lawyers argued that Microsoft's market power over the distribution of software was so strong that Netscape *might still find it hard* to compete for AOL's business.

Microsoft's contract gives AOL a high-profile marketing position on Windows, the operating software which drives more than 90 per cent of the world's personal computers.

*David Boies, the lead attor*ney for the US government, said: "Whatever the deal, it does not remove any of the obstacles that Microsoft has placed in the path of competition in this industry.

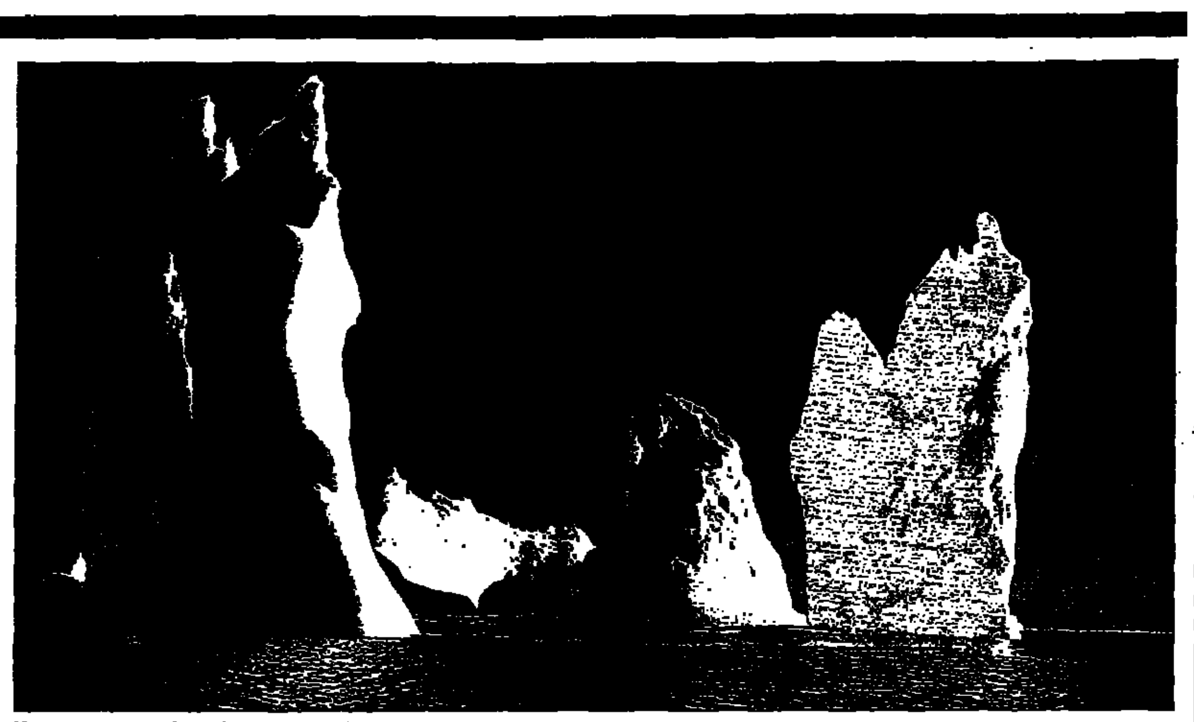
"However many times the alliances get re-ordered it does not change the fundamental fact that Microsoft has a monopoly of the operating system and has used that monopoly to forestall competition in anti-competitive and exclusionary ways."

However, William Neukom, Microsoft general counsel, insisted the merger "pulls the rug out from under the government. It proves indisputably *that in* this high-technology business of which Microsoft is a part, no company can control the supply of technology.

"What we are witnessing *is a wholesale change in the* competitive landscape."

Cool thinking earns Canadian group a warm welcome

Iceberg Industries has found success tapping what it says is the purest source of water on earth, writes **Scott Morrison**



Unfrozen assets: glacial ice was formed so long ago it was never exposed to modern-day contamination

The quest to harvest *Canadian icebergs to* produce pure drinking water is a tale of ingenuity, feuding business associates and an enviable resolve that has so far paid off for one of the former partners.

Ron Stamp, president of Iceberg Industries, won the race to become the first to bottle and distribute iceberg water after he pioneered a process to tear off chunks of icebergs, ship the meltwater back to port and bottle what some regard as the cleanest drinking water on earth.

Based in St John's, the capital of the eastern Canadian province of Newfoundland, the company produces its Borealis brand and also bottles iceberg water for the prestigious President's Choice private label, owned by Canadian retail giant Loblaw. The response from consumers has been so enthusiastic that Mr Stamp's company has had difficulty meeting demand.

A former fish marketer before the depletion of Atlantic cod stocks decimated Newfoundland's fisheries industry, Mr Stamp says he is grateful for, but not surprised by, his success. Newfoundlanders have long known that iceberg water was extremely pure, but none had worked out how to exploit the endless *resource that floats past* their beaches.

Some groups in the early 1990s toyed with the notion of towing icebergs to Saudi Arabia. Mr Stamp scoffed at this, knowing full well that an iceberg would melt long before arriving in the Red Sea. One day he idly suggested that they should just "melt the damn things" in Newfoundland and send the water to the Middle East.

It occurred to Mr Stamp that his suggestion was not nearly as ridiculous as his friends believed it to be. He recalls that his new-found obsession left many in St John's questioning his sanity. "Everyone thought I was a bit weird because that is all I talked about," he remembers.

Mr Stamp eventually joined forces with Gary Pollack, a Toronto investor who bankrolled the iceberg venture until the two partners had a falling out and became embroiled in a lengthy legal dispute. With additional help from the federal government, Mr Stamp managed to raise C$3.5m (US$2.3m), which enabled him to rent equipment to test his theory that a granite pincer grapple could tear chunks out of an iceberg.

"I went from village idiot to entrepreneur of the year," he said of the day he proved his theory was valid.

Icebergs are parts of glaciers that have fallen into arctic waters. The hard ice "sweats" in warmer water and air, washing away salt that comes into contact with the iceberg. The pure lure of iceberg water is simple: the glacial ice was formed so long ago it was never exposed to modern-day contamination.

Steve Timuss, who works at the CanTest laboratory, said his group found no trace of contaminants nor heavy metal elements in the Iceberg Industries sample it tested. That prompted Mr Timuss to remark that the water sample was the cleanest he had ever seen.

Icebergs forming in coastal waters off Baffin Island and Greenland take years to reach "Iceberg Alley", to the east of Newfoundland. Icebergs can easily be seen from St John's in early summer, but as the year progresses the company must venture further north to locate "bergy bits", as they are known locally, even though they can measure up to 1 cubic mile in volume. The company has a locator plane and receives crucial help from the Canadian coastguard's iceberg patrol.

Mr Stamp and his crew has learned to harvest icebergs by trial and error. Tugboats wrap nets around them and at high tide tow them at full throttle toward shore. Just before reaching the coast the tugboat veers sharply and releases the net, slinging the iceberg onto the shore. Once tidal waters recede, the iceberg is marooned on the rocky coastline.

The tugboat then pushes up against the iceberg to stabilise it while a factory barge moves in to break off chunks with a crane and the high-torque pincer grapple designed to bite through granite. The process is fraught with risk, for subtle changes in the iceberg's composition could cause it to roll and topple the tugboat and barge.

The ice is dragged onto the barge, where it is crushed, melted and filtered before passing under ultraviolet lights to meet health standards. The purified water is then stored in the barge's holding tanks. Mr Stamp says it usually takes eight workers about one week to fill a barge. The company expects to produce 1.5m litres of iceberg water this year and double output in 1999 by launching two more factory barges.

Mr Pollack, who argues that it is preferable to cut chunks out of icebergs, has continued to pursue his own venture and the former partners are poised to be in competition with each other. Mr Pollack says his company, Canada's Original Iceberg Water, will begin marketing its own product next year in Europe, Asia and the US. Loblaw wants to expand distribution into the US, once Iceberg Industries can increase production.

Immediate returns have been relatively small, with Mr Stamp projecting revenues of C$16m in 1999. But both groups are betting they can capitalise on the Arctic's romantic image of cleanness and coolness. That would help justify slightly higher prices for iceberg water and help establish it as a unique product that belongs on store shelves alongside mineral and spring water.

NEWS DIGEST

COMPUTERS

HP hires consultants for review of operations

Lew Platt, Hewlett-Packard chief executive, told employees of the computer and electronics group last week that the company was bringing in consultants for a high-level review of operations. The move, although not unusual, may signal a restructuring of operations at the company, which has produced disappointing financial results over the past year. *The consultants would be* looking at the company's business portfolio, its strategies, culture and organisation, Mr Platt told staff.

HP has taken several actions over the past year to cut expenses and improve performance. The company has begun contracting out some of its printer manufacturing operations and is moving away from its traditional decentralised structure. **Louise Kehoe, San Francisco**

FAST FOOD

Franchise Management in buy

Franchise Management, the Nasdaq-listed operator of fast food restaurants, yesterday announced it had acquired the *Kenny Rogers Roasters chain for an undisclosed amount.* The Florida-based restaurant group, which went bankrupt earlier this year, has 83 sites, including 13 overseas. Franchise Management, which was formed a year ago by Anthony Foster, bought the Juicy Lucy's hamburger chain in May. The company, which manages and franchises fast-food restaurants, plans further acquisitions so it can *relaunch the brands by packaging them with other outlets* into food-court style outlets. William Fisher, vice-president of concept development, said: "We'll start off with a breakfast concept to have people in the restaurant all day."

Kenny Rogers, the country and western singer, co-founded Roasters in 1991. Three years later Berjaya, the *Malaysian conglomerate*, bought a 24 per cent stake. **Elizabeth Robinson**

Pace of change in energy industry accelerates

By Christopher Parkes in Los Angeles

Electricity assets worth almost $2bn will change hands *in two* transactions announced yesterday that underscore the rapid pace of restructuring in the international power industry.

Virginia-based AES, which has made more than a dozen international deals so far this year, moved to establish itself in the *US Mid-west with the* $885m purchase of Cilcorp, an Illinois gas and electricity utility.

While Entergy of New Orleans advanced its plans to focus on generation and *retailing with the $1.1bn* sale of Citipower, an Australian distributor, to American Electric Power Resources.

The announcements, a day after Duke Energy said it would pay $1.35bn for the natural gas assets of Union Pacific Resources, followed the $1.7bn purchase earlier *this month of 23 US* power stations by Vivendi of France.

AES's transaction, expected to close in the middle of next year, is its second US purchase so far in 1998. In August it won an auction for six coal-fired power stations in New York state.

The company, which also builds generating stations, now has interests in 90 power plants in 13 countries and distributes electricity to about 13m consumers.

In the past two months it has extended its reach with acquisitions and other contracts in Panama, Orissa, Tbilisi, Georgia, and Sri Lanka.

NOMURA GLOBAL FUND

Société d'Investissement à Capital Variable
Registered office: 6 Avenue Emile Reuter, L-2420 Luxembourg
R.C. Luxembourg B 31 127

CONVENING NOTICE

The Shareholders of NOMURA GLOBAL FUND are hereby convened to attend an

EXTRAORDINARY GENERAL MEETING

to be held on 21 December 1998 at 11.30 a.m. at the offices of Nomura Bank (Luxembourg) S.A., 6 Avenue Emile Reuter, L-2420 Luxembourg, with the following AGENDA:

I Amendment of the Articles of Incorporation of the Company:

1) Amendment of Article 5 to allow the Board of Directors to issue within a sub-fund different categories of shares

2) Change of the date of the Annual General Meeting in each year so as to replace the "first Friday in May" by the "first Friday in June" and amend Article 10 accordingly.

3) Amendment of the definition of "Eligible States" in Article 16 so as to include Eastern Europe therein and to amend "European Economic Community" to "European Union".

4) Amendment of Article 16 to allow the Board of Directors to use the technique of *pooling management by adding the following new paragraph at the end of Article 16.*

"In order to reduce charges and expenses with allowing a wider diversification of the investments the Board may decide that part or all of the assets of one or several Sub-Funds will be co-managed with all or part of other Sub-Funds of the Company or with *assets belonging to other collective investment schemes as defined in the prospectus."*

5) Amendment of Article 21 so as to

- replace the eighth paragraph thereof by the following text:

"If for a period of more than 20 consecutive days the value (at their respective net asset values) of all outstanding Shares shall be less than 10 million US Dollars or the value of the outstanding Shares of a particular class shall be less than 5 million US Dollars or, in the case of Shares denominated in a currency other than US Dollars the equivalent in US Dollars, or where the Board deems it appropriate because of changes in the economic or political situation affecting the Company or the relevant class or because it is in the best interests of the shareholders of the Company or the relevant class, the Board may, by prior written notice given to all holders of Shares, or to the holders of the relevant class of Shares, as may be the case, *redeem at the Redemption Price determined at the date on which all* investments relating to the relevant class or classes have been realized all (but not some) of the Shares (or of the Shares of the relevant class as the case may be) not previously redeemed, at a redemption price reflecting the realization and liquidation costs on winding up the Company or closing down the relevant class, as the case may be, but with no redemption charge, or merge that class with another class of the Company or with another Luxembourg UCITS

Where all the Shares are so affected the directors shall convene an extraordinary general meeting of shareholders to appoint a liquidator of the Company.

Termination of a class as a result of compulsory redemption of all relevant Shares or its merger with another class of the Company or with another Luxembourg UCITS, in each case for reasons other than those mentioned above, may be effected only upon prior approval by the shareholders of the class to be terminated or merged at a duly convened class meeting which may be validly held without a quorum and decided upon by a simple majority of the Shares present or represented

A *merger so decided by the Board or approved by the shareholders of the affected* class will be binding on the holders of Shares of the relevant class upon 30 days prior notice thereof being given to them, during which period the shareholders may redeem their Shares without redemption charge.

In case of a merger with a *"fonds commun de placement"* the decision will be binding only on those shareholders having voted in favour of the merger.

Liquidation proceeds not claimed by shareholders upon the liquidation of the Company or the closure of a class will be deposited at the Caisse de Consignation in Luxembourg and shall be forfeited after 30 years."

- replace the ninth paragraph (now fifteenth paragraph) by the following paragraph:

"In addition the Company shall inform holders of Shares by publication of a notice in newspapers to be determined by the Board, unless all such shareholders and their addresses are known to the Company."

II *Merger with* NOMURA ASIAN INFRASTRUCTURE FUND and THE NCM JAPAN FUND

1) to approve and ratify the Merger Proposal,

2) to approve the merger of NOMURA GLOBAL FUND (the "Company") with

1. NOMURA ASIAN INFRASTRUCTURE FUND (NAIF) and
2. THE NCM JAPAN FUND (NJF)

two Luxembourg sociétés d'investissement à capital variable having both its registered office at 6 Avenue Emile Reuter, L-2420 Luxembourg into Nomura Global Fund - Asian Infrastructure Sub-Fund and Nomura Global Fund - Japan Sub-Fund respectively upon hearing:

- the report of the Directors of the Company in relation to the merger proposal (the "Merger Proposal") published in the Mémorial, Recueil des Sociétés et Associations in Luxembourg and deposited with the Chancery of the District Court in Luxembourg, and
- the audit reports prescribed by Article 266 of the Luxembourg law on commercial companies,

3) *to issue to NAIF shareholders without charge shares without par value corresponding* to the shares of Nomura Global Fund - Asian Infrastructure Sub-Fund (the "New Shares") in exchange for the contribution by NAIF of all its assets and liabilities, at an issue price based on the net asset value per share of NAIF as of the last Valuation Day thereof preceding the Effective Day, as defined in the Merger Proposal;

4) to issue one New Share against one former share of NAIF, to registered shareholders in registered form (including fractional entitlements) on the basis of NAIF's share register on the Effective Day and to bearer shareholders in registered form or, at their specific request bearer form, upon delivery to the transfer agent of the relevant bearer share certificates with all unmatured coupons attached thereto;

5) to issue to the shareholders of NJF without charge shares without par value corresponding to the shares of Nomura Global Fund - Japan Sub-Fund (the "New Shares") in exchange for the contribution by NJF of all its assets and liabilities at an issue price based on the net asset value per share of NJF as of the last Valuation Day thereof preceding the Effective Day, as defined in the Merger Proposal,

6) to issue one registered New Share against one former share of NJF (including fractional entitlements) to the shareholders of NJF on the basis of the share register of NJF on the Effective Day.

The meeting shall be validly constituted and shall validly decide on its agenda if at least one half of the capital is present or represented. The items on the agenda shall be passed at the majority of two thirds of the shares present or represented at the meeting and voting.

In order to take part at the second extraordinary general meeting the owners of bearer shares must deposit their shares five clear days before the meeting at the registered office of the Fund, 6 Avenue Emile Reuter, L-2420 Luxembourg.

The following documents shall be at the disposal of the Shareholders of the Company for inspection and copies thereof may be obtained, free of charge, from Nomura Bank (Luxembourg) S.A., 6 Avenue Emile Reuter, L-2420 Luxembourg:

(i) the text of the Merger Proposal;
(ii) the revised prospectus of the Company;
(iii) the audited annual accounts of the Company and of NOMURA ASIAN INFRASTRUCTURE FUND at 31 December 1995, 1996 and 1997 and their semi-annual accounts at 30 June 1998 and interim accounts at 30 September 1998;
(iv) the audited annual accounts at 31 March 1996, 1997 and 1998 of THE NCM JAPAN FUND and, its semi-annual accounts at 30 September 1998;
(v) the reports of the Directors of the Company, NOMURA ASIAN INFRASTRUCTURE FUND and of THE NCM JAPAN FUND;
(vi) the special report of KPMG Audit.

Proxies should be sent to Nomura Bank (Luxembourg) S.A., at its address above to the attention of Claire Garvey by no later than 18 December 1998.

NOTICE

Shareholders are hereby *informed that from 29 January 1999 the cut-off time for* submission of subscription, redemption and conversion requests will be 4.00 p.m. Luxembourg time instead of 5.00 p.m. Luxembourg time. Any requests received by the Company or the Distributor after 4.00 p.m. will be dealt with on the next Valuation Date.

The Board of Directors

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Notice to Holders

Notice is hereby given that pursuant to paragraph "Issuer's Optional *Redemption*" of the Pricing Supplement dated December 20, 1996, the Issuer has elected to redeem the outstanding Nominal Amount on 20th December 1998. The Notes will cease to bear interest on the Redemption Date.

BNP The Agent
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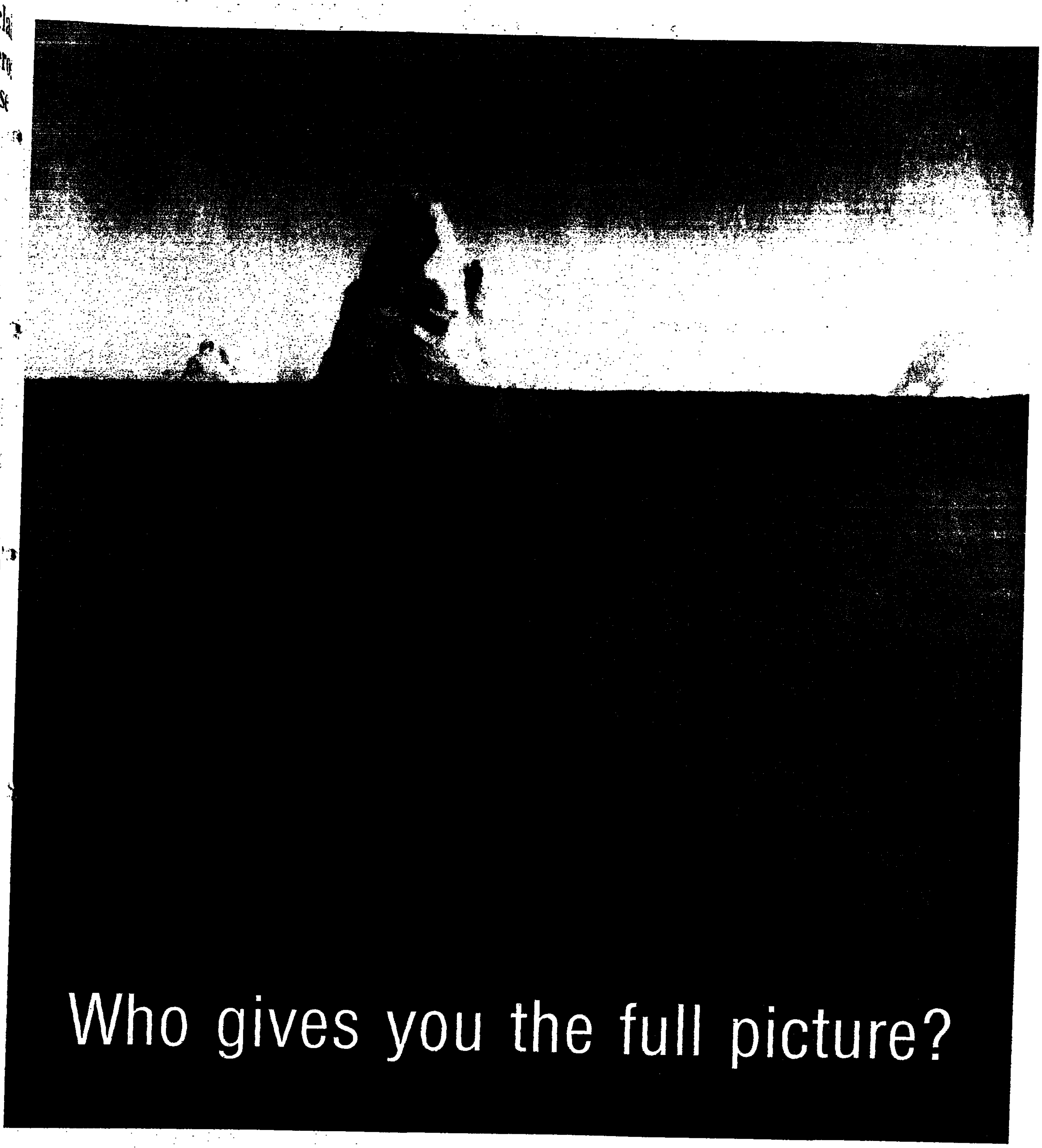

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Big deal day for manufacturers

By Nikki Tait in Chicago and Andrew Edgecliffe-Johnson in London

In the biggest of a wave of multi-million dollar deals to hit the manufacturing sector yesterday, B. R. Goodrich, the Ohio-based maker of aerospace systems and speciality chemicals, announced that it was acquiring Coltec, another industrial and aerospace components manufacturer, in a $2.3bn share swap deal.

As part of the transaction, Goodrich will move its corporate headquarters and its aerospace divisional HQ to Charlotte, North Carolina, where Coltec is based. The move could affect about 170 staff, some of whom will get relocation offers. Goodrich stressed that its Ohio-based manufacturing operations, which employ about 3,300, would not be affected.

Both companies service the aerospace market, and Goodrich said that an enhanced product range, coupled with the addition of a "third leg" provided by Coltec's engineered industrial products business, was the rationale behind the deal. Coltec is a leading producer of landing gear systems and industrial sealing products. The combined company, which will be owned two-thirds by Goodrich shareholders and about one-third by Coltec's, will have annual sales of about $5.5bn, and an estimated market capitalisation of about $4bn.

The two companies see minimum cost-savings of $60m a year by 2001, and Goodrich said the transactions should be earnings-enhancing in 1999. By 2001, the deal could add around 15-20 cents to earnings per share. The stock market reacted warmly, with both companies' shares rising – Goodrich by 1\frac{1}{16}$ to $37¼ and Coltec, by 1\frac{13}{16}$ at $19¾.

Meanwhile, Dover Corporation, the New York-based industrial conglomerate, said that it would sell its elevator division to Germany's Thyssen for $1.1bn.

The US-based elevator business, the nation's second-largest, had annual sales of around $880m in 1997, and notched up $658m in the first nine months of the current year. Pre-tax operating profits in 1997 were $105m.

Dover had previously announced plans to spin-off the elevator operations as a separate company to its shareholders – a step which would probably have taken place in early in 1999.

In May, Dover said the business did not fit with the group's other industrial operations and would fare better as an independent company. Analysts viewed the elevator operations as a service-type activity which, in spite of strong profits in 1998, would probably offer less attractive returns than some other interests over the medium term.

Dover, which had groupwide sales of $4.56bn last year, said that the sale to Thyssen would provide a one-off asset sale gain of $2.30 a share. Dover shares gained $1 to $34¼.

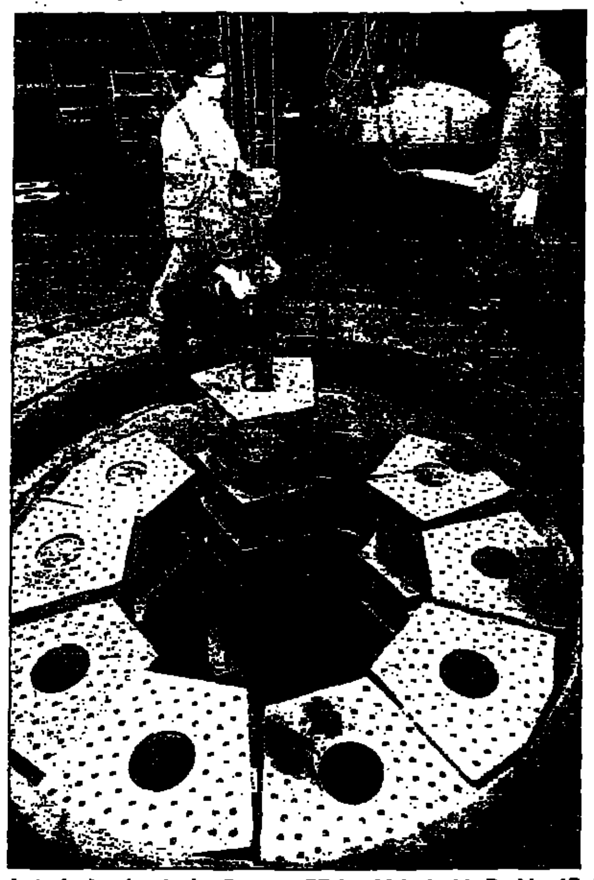
Over in the automotive sector, which has been a hubbub of activity for months as companies try to focus their businesses and service original equipment manufacturers on a global basis, deals flowed.

Meritor Automotive, the component supplier which was previously known as Rockwell Automotive, emerged as the buyer of the heavy vehicle braking systems business of the UK's LucasVarity. Lucas, which two weeks ago failed to move its domicile to Wall Street, had put the business on the market in August as part of its shift away from heavy vehicle activities, but yesterday's price tag is about twice the price expected by most UK analysts.

The braking business had sales of around L175m ($104,000) in 1997, and net assets of about L65m. No profits were given but the business being sold is thought to be less profitable than the light vehicle braking business which accounted for 90 per cent of Lucas' braking systems sales last year. When Lucas first announced the sale, it also said that it could not sustain a leadership position in a sector undergoing rapid consolidation.

But Meritor, which was floated off from Rockwell in 1997, said that yesterday's price reflected the value of the business to Meritor. It said that the deal should add around $400m to its sales base and enhance its "geographical market reach", notably in Europe. It would also allow the US company to offer a more comprehensive range of drivetrain systems and components. Meritor shares were up ⅛ at $19⅝.

Finally, Johnson Controls, one of the largest suppliers of automotive interiors, announced that it was selling its industrial battery business for $135m. The buyer is C&D Technologies, which produces and markets electrical power storage and conversion products. The battery business has annual sales of over $87m, and manufacturing facilities in Milwaukee and China.



A stack of carbon brake discs at a BF Goodrich plant in Pueblo AP

German group to lift ranking with acquisition

By Tony Barber in Frankfurt

Thyssen, the German industrial group that is merging soon with its historic rival Krupp, yesterday made clear its determination to rise up the list of world lift manufacturers by announcing that it would acquire Dover Elevators from Dover Corp of the US.

Thyssen has for some time been one of the world's most profitable producers of lifts, ranking behind Otis and Dover in the US but ahead of Schindler of Switzerland and Kone of Finland.

Thyssen, which used to be best-known for its steel operations but regards lifts as one of its core businesses, is believed to have held talks with both Dover and Kone in the past couple of years.

Dover was an attractive proposition for the German group because it is particularly strong in the US, where it runs a nationwide service network. Dover Elevators employs more than 7,000 and has annual sales of almost $900m.

Thyssen believes that, once US and Canadian antitrust authorities have approved the takeover, North America will serve as a launching pad for the company's efforts to boost exports to Asia.

With sales of DM2.7bn ($1.6bn), Thyssen Aufzüge, the parent group's lift manufacturing unit, was rated by analysts at the investment house Lehman Brothers to be the world's fourth largest producer.

Thyssen estimated yesterday that it stood in fifth place but would rise to third as a result of taking over Dover Elevators.

The lift industry is a profitable sector of global industrial manufacturing largely because there are already so many installed lifts which require regular compulsory servicing, according to Lehman Brothers.

NEWS DIGEST

TELECOMS

Saudi government plans privatisation

The Saudi Arabian government is planning to privatise its national telecommunications carrier in the first half of 2000 and has appointed investment bankers J. P. Morgan as overall privatisation advisers. It will be assisted by the Saudi International Bank. Saudi Arabia took the first step earlier this year with the establishment of Saudi Telecommunications (STC) as a joint stock company with the government as 100 per cent shareholder.

According to J. P. Morgan, the operator is now undergoing an extensive restructuring programme.

No details of the proportion of the company to be sold or its likely value have been released but according to the authoritative US publication Telegeography up to 80 per cent of the shares could be made available.

With a population of 20.1m, the country had only 2.3m main exchange lines in 1997 and 332,000 mobile phone users. **Alan Cane**

CANNING

PLM opens plant in Russia

One of the biggest foreign investments to be completed since the Russian crisis in mid-August came on stream last week when PLM of Sweden opened a $125m canning factory 70km south-west of Moscow. The new plant is designed to process 1.75bn cans a year and will replace imports from the company's Swedish and Austrian plants. Up to August, Russia was one of the world's fastest growing markets for canned drinks.

Frederik Arp, president and chief executive officer of the PLM group, said the decision to build the plant was taken last July when can exports were running at 700m a year. "But that was before the crisis. Now we are projecting a throughput of about 500m cans a year and expect the Russian can market next year to be 50 per cent lower than in 1997. We will make a considerable loss next year and maybe it will take another year before we break even," he said.

PLM has a 52 per cent stake and made a $60m equity investment in the plant with co-financing from the European bank for Reconstruction and Development and the International Finance Corporation, two Scandinavian funds and the US-based Ball Corporation, which took a 10 per cent stake in the plant. **Anthony Robinson, Moscow**

BANKING

Discount net income halved

Israel Discount Bank, the country's third largest, yesterday said net income plunged 52 per cent in the first nine months, as an economic slowdown eroded top line income and forced higher doubtful debt provisions. Net income fell from $52m in the first nine months of 1997 to $25m in the same period this year. Income from financing activities before provisions fell 9 per cent to $438m over the same period, while provisions for doubtful debts jumped 19 per cent to $106m.

Analysts say Discount – the least efficient bank in Israel – must cut costs to recover. "Discount must also clean its book if it is to turn round," said Rony Argi, Israel analyst at HSBC in London. "They are very exposed to the construction and diamond industries."

Discount's management recently settled a labour dispute that has paralysed the bank throughout 1998. The Israeli government, which holds 60 per cent of Discount, is currently seeking a buyer for 30 to 53 per cent of the bank. **Avi Machlis, Jerusalem**

Absa keeps net profit up

Absa, one of South Africa's big four high street banks, yesterday announced an increase of almost 20 per cent in taxed profit for the six months to September 30 to R883m ($155m), despite turmoil in the financial markets and a surge in bad debts.

Turmoil in the markets has caused South African banks to complain about squeezed margins, as monetary policy was tightened unexpectedly to defend the rand. The currency came under attack between May and August, causing interest rates to rise to record levels. Absa said its margins had narrowed, but this was offset by strong growth in advances.

The bank lifted its corporate lending by 23 per cent, but held back on consumer lending, where most of its bad debts occurred. Net interest income was up about 13 per cent in the six months to September, compared with the same period last year.

The bank cashed in on the volatility in the markets to make healthy trading profits. In line with other banks, Absa chalked up a strong increase in non-interest income of almost 17 per cent to R2.3bn.

Provision for bad and doubtful debts surged almost 27 per cent, reflecting consumer difficulty in meeting mortgage payments in an environment of record high interest rates. **Greta Steyn, Johannesburg**

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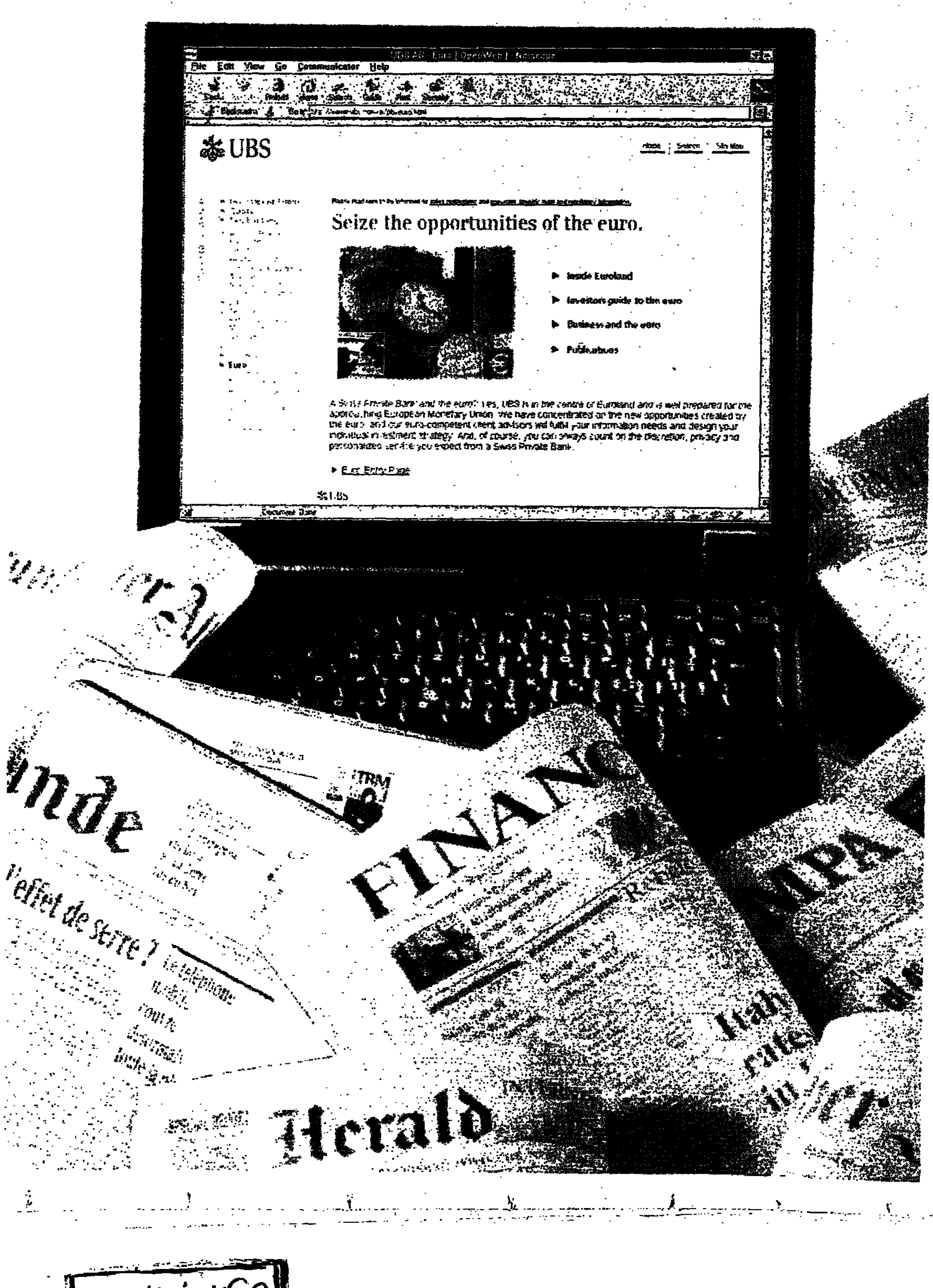

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FINANCIAL CAPITAL SERVICES

MEDIA GROUP TAKES LEGAL ADVICE AFTER AGREEMENT TO SELL SIMON & SCHUSTER BUSINESSES TO HICKS MUSE COLLAPSES

Pearson's $860m US deal falls through

By John Gapper in London and William Lewis in New York

Pearson, the UK media company, is taking legal advice after the collapse yesterday of its $860m deal to sell two publishing businesses to the US private equity firm Hicks, Muse, Tate & Furst.

Pearson said it would keep the reference and business and professional publishing operations of the US company Simon & Schuster, which it had intended to sell to Hicks Muse as part of a $4.6bn deal with Viacom, the US group.

The UK company, which owns the Financial Times, was yesterday cleared to buy the educational publishing titles of Simon & Schuster from Viacom after selling operations representing $35m of the $1.4bn educational revenues.

The disposal of 55 overlapping titles out of 35,000 and an elementary science programme for schools was ordered by the US Department of Justice. However, this leaves the businesses that Pearson wanted to acquire largely intact.

The clearance by the US authorities will allow the deal to be completed this week, and is likely to be welcomed by analysts. However, Pearson now faces trying to sell some of the assets that were to have been bought by Hicks Muse.

Pearson reached agreement in July with Hicks Muse to sell on the reference and business divisions for $860m when the Viacom deal went through. But Hicks Muse tried to renegotiate the price after revenues fell below estimates.

John Muse, a partner in the US firm, said it had discussed alternative prices and structures with Pearson all last week. "But the bottom line was that we were unable to reach a renegotiated price with them," he said.

Mr Muse said it was only the third time the US group had terminated a contract. "It had nothing to do with our ability to raise finance. We were prepared to complete at the same multiple as we originally envisaged."

Pearson said it would fold the business and reference arms of Simon & Schuster into current operations. It may keep a set of computer publishing titles, representing 45 per cent of revenues, but sell other titles.

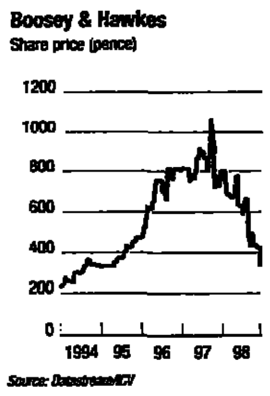
Analysts estimate Pearson could keep its year-end debt to about £3.5bn ($5.9bn) following the sale of Tussauds Group and the likely sale of a £350m stake in British Sky Broadcasting, bringing interest cover to about 3.5 times.

Pearson said it was pleased to have completed the deal for the educational publishing titles largely as planned, and intended to integrate the other operations. It would not comment on possible legal action.

The collapse of the deal was announced after the close of the London stock market.

Boosey shares tumble 20% on warning

By Robert Wright



Shares in Boosey & Hawkes, the musical instrument maker and music publisher, fell more than 20 per cent yesterday as it warned pre-tax profits for 1998 would be substantially lower than expected.

The south-east Asian, Japanese and Australasian markets had been affected by a downturn in demand, Boosey said. There had also been a slowdown in the UK market, with dealers reducing their holdings of stock, while sales of the company's Rico reeds in the US had been affected by stock reductions by retailers.

The south-east Asian operations would not return to profit this year, despite a cost reduction programme.

Richard Holland, chief executive, said: "Everything is primarily related to the far east. That's where our weaker demand has begun. We have seen sales in Japan this year down on last year. This effect has impacted back on our factories."

The company expected underlying profits of about £7m for 1998, against £8.1m in 1997. That, however, did not include costs of about £1m for closing and restructuring businesses. Nor did it include the £1.1m cost of buying out Carl Fischer, the US music publisher that was Boosey's largest shareholder.

The shares dropped 87½p to 337½p, well below its previous low for the year of 425p. Merrill Lynch, the company's broker, reduced pretax forecast for 1998 to £6m after the restructuring costs, but before the costs of buying out Carl Fischer. That gives earnings of 21.1p, putting the shares on a forward p/e of just under 16.

● Shares in Servomex, the industrial instruments supplier, fell 58½p to 99p after it said it planned to spend £750,000 this year to make full-year savings of £500,000. The measure was being taken because of a downturn in demand.

GRE confirms takeover talks

By Andrew Bolger

Guardian Royal Exchange, the UK composite insurer, told the stock market yesterday it was in talks that could lead to the sale of all or parts of the company.

Shares in GRE jumped by 42½p to close at 350½p, valuing the group at just over £3bn ($5bn). GRE, the smallest of the UK's big composites, has frequently been touted as a takeover candidate, but its shares had fallen from a spring peak of 495p following profits downgrades and concerns over heavy weather-related losses.

Responding to what it described as recent newspaper speculation, GRE said: "Against a background of ongoing consolidation in the financial services sector, both in the UK and overseas, the company continuously monitors events. It is examining a number of possible alternatives, which may or may not lead to an offer for the company, to determine if any demonstrate sufficient benefit to be recommended to its shareholders."

Axa, the French insurer, recently approached GRE, but the UK composite felt it was not willing to pay enough, although no offer was formally tabled.

Analysts believe weekend press stories came from the GRE camp to flush out any other potential bidders. Morgan Stanley Dean Witter, the US investment bank, is advising GRE.

Axa already has a controlling stake in Sun Life & Provincial, the UK life assurance company, and has said it wishes to expand in the UK. Axa also does not share the UK stock market's current hostility towards general insurance, which has been suffering from excess capital, low premiums and high underwriting losses. The more highly rated life business only accounted for 19 per cent of GRE's premium income last year.

GRE could give expanding international insurance companies a significant foot-hold in the UK, which last year accounted for 42 per cent of the group's premium income. However, GRE also has significant businesses in Europe – particularly Germany – the US and South Africa.

The UK group is therefore likely to be considered by most of the large insurers which have been consolidating the European market in recent years – such as Assurances Générale of France, Allianz of Germany, and Switzerland's Zurich Group, which recently merged with BAT's financial services business. AIG of the US could also be interested in GRE's property and casualty businesses in the US Midwest and north-east.

GRE's portfolio will also be considered by other UK insurers.

Increased costs dent Salvesen

By Jonathan Ford

Falling demand from customers and rising costs at its industrial logistics division held back interim profits at Christian Salvesen, the logistics group.

The industrial side, which distributes components and end products for customers such as Dunlop Tyres and Du Pont, accounts for about a quarter of Salvesen's turnover.

The group said volumes declined by about 5 per cent as UK industrial output slowed. Costs rose because of a truck driver shortage which forced the division to hire expensive agency labour.

Overall, pre-tax profits rose by 1.5 per cent to £19.6m ($33m) in the six months to September 30, excluding an exceptional gain of £3.7m. Sales increased from £264.1m to £298.3m and earnings per share were 6.5p (5.1p).

Edward Roderick, chief executive, said the industrial division's cost problems were temporary and would ease as the economy slowed.

He also said it was Salvesen's only UK division with a majority of its business exposed to changes in business volumes. Overall, about 60 per cent of Salvesen's business is remunerated by fixed management charges. In the industrial division, where profits dipped 19 per cent to £6.1m, the figure is just 40 per cent.

Mr Roderick said the group had continued rationalising its facilities, notably selling its lossmaking Elstree site to J Sainsbury. Such initiatives helped the food distribution division increase profits by 19 per cent to £11.6m.

In Europe, profits fell by 25 per cent to £2.7m despite a 19.6 per cent increase in turnover to £57.9m, mainly because of contract losses and start-up costs.

Mr Roderick said rationalisation had helped produce a net cash inflow of £38.5m, halving gearing to 30 per cent.

The company now has about £100m to spend on acquisitions in continental Europe, which will be concentrated on Spain, Italy and the Benelux countries.

Salvesen will wait to see how the economy develops in the second half before deciding whether to increase the dividend. The interim is maintained at 2.45p.

NOMURA ASIAN INFRASTRUCTURE FUND

Société d'Investissement à Capital Variable
Registered office: 6 Avenue Emile Reuter, L-2420 Luxembourg
R.C. Luxembourg B 34 248

CONVENING NOTICE

The Shareholders are hereby convened to attend an

EXTRAORDINARY GENERAL MEETING

to be held on 21 December 1998 at 11.30 a.m. at the offices of Nomura Bank (Luxembourg) S.A., 6 Avenue Emile Reuter, L-2420 Luxembourg, with the following AGENDA:

1) to approve and ratify the Merger Proposal,
2) to approve the merger of NOMURA ASIAN INFRASTRUCTURE FUND (the "Company") with NOMURA GLOBAL FUND, a Luxembourg société d'investissement a capital variable with its registered office at 6 Avenue Emile Reuter, L-2420 Luxembourg ("NGF") into Nomura Global Fund - Asian Infrastructure Sub-Fund upon hearing
- the report of the Directors of the Company in relation to the merger proposal (the "Merger Proposal") published in the Memorial, Recueil des Sociétes et Associations in Luxembourg and deposited with the Chancery of the District Court in Luxembourg; and
- the audit reports prescribed by Article 266 of the Luxembourg law on commercial companies,
3) to accept the issue without charge of shares without par value of Nomura Global Fund - Asian Infrastructure Sub-Fund (the "New Shares") in exchange for the contribution of all assets and liabilities of the Company, at an issue price based on the net asset value per share of the Company as of the last Valuation Day thereof preceding the Effective Day, as defined in the Merger Proposal,
4) to accept the issue of one New Share against one former share of the Company, registered shares (including fractional entitlements) being allocated to the registered shareholders of the Company on the basis of the shareholders' register of the Company on the Effective Day and to bearer shareholders in registered form or, at their specific request, in bearer form upon delivery to the transfer agent of NOMURA GLOBAL FUND of the relevant bearer share certificates with all unmatured coupons attached thereto.
5) to take note that as a result of the merger the Company shall be wound up without liquidation, that all its former shares shall be cancelled and that the assets and liabilities of the Company shall be deemed to be transferred to NGF on the day of the merger, as determined in the Merger Proposal

The meeting shall be validly constituted and shall validly decide on its agenda if at least one half of the capital is present or represented. The items on the agenda shall be passed at the majority of two thirds of the shares present or represented at the meeting and voting.

In order to take part at the extraordinary general meeting the owners of bearer shares must deposit their shares five clear days before the meeting at the registered office of the Company, 6 Avenue Emile Reuter, L-2420 Luxembourg.

The following documents shall be at the disposal of the Shareholders at the Company for inspection and copies thereof may be obtained, free of charge, from Nomura Bank (Luxembourg) S.A., 6 Avenue Emile Reuter, L-2420 Luxembourg

(i) the text of the Merger Proposal,
(ii) the prospectus of NGF,
(iii) the audited annual accounts of the Company at 31 December 1995, 1996 and 1997, its semi-annual accounts at 30 June 1998 and its interim accounts at 30 September 1998;
(iv) the audited annual accounts at 31 December 1995, 1996 and 1997 of NGF and, its semi-annual accounts at 30 June 1998 and its interim accounts at 30 September 1998;
(v) the reports of the Directors of the Company and of NGF,
(vi) the special report of KPMG Audit

Proxies should be sent to Nomura Bank (Luxembourg) S.A., at its address above to the attention of Claire Garvey by no later than 18 December 1998

* * *

The Investment Objectives and Policies and dividend policy of NGF - ASIAN INFRASTRUCTURE SUB-FUND are identical to the current Investment Objectives and Policies of your Company. The currency of expression of the Sub-Fund as well as the consolidated currency of NGF is USD. The sales charge remains unchanged and is up to 5% of the Net Asset Value of the Shares issued.

Also the Investment Manager, NOMURA ASSET MANAGEMENT UK LIMITED and Investment Sub-Managers NOMURA ASSET MANAGEMENT CO., LTD and NOMURA ASSET MANAGEMENT SINGAPORE LIMITED will remain the same in NGF - ASIAN INFRASTRUCTURE SUB-FUND. The investment management fee, out of which the Investment Advisers are paid, remains unchanged.

NOMURA GLOBAL FUND has the following particularities, which are almost identical to your current structure.

1 The cut-off time for submitting your subscription, redemption and conversion orders to be executed on the same Valuation Date is 4.00 p.m. Luxembourg time.
Prices are available at 4.00 p.m. on each Valuation Date.
2 Subscription moneys must be paid within 5 Luxembourg business days following subscription. Redemption moneys are transferred to you usually within 5 Luxembourg business days following the relevant Valuation Day.
3 Redemptions are carried out at the Net Asset Value per share, without redemption charge.
4 Minimum initial and subsequent subscriptions must be for an amount equivalent to at least 1,000USD. Also, should following a redemption request, your residual holding fall below this amount, your redemption request will be considered to be for your entire holding.
5 NOMURA GLOBAL FUND is not, as opposed to your Company, listed on the Luxembourg Stock Exchange, except for the Nomura Global Fund - Asia Pacific Sub-Fund. Application will be made to list Nomura Global Fund - Asian Infrastructure Sub-Fund on the Luxembourg Stock Exchange.
6 The accounting year of NOMURA GLOBAL FUND starts on 1st January of each year and ends on the 31st of December. The date of the Annual General Meeting of shareholders is the first Friday in June each year at 3.00 p.m. (or if such day is not a Valuation Day, on the next following Valuation Day).
7 Shares of one Sub-Fund may be converted into shares of another Sub-Fund without charge (except after the fourth conversion in any 12 months period, where a conversion fee of 1% is applied).

The costs relating to the merger are expected not to exceed 100,000 USD and shall be borne by NGF - ASIAN INFRASTRUCTURE SUB-FUND and NGF - JAPAN SUB-FUND proportionately to their net assets.

The Board of Directors

Vivendi readies itself for $500m of hotel disposals

By Charles Pretzlik

Vivendi, the French group formerly known as Compagnie Générale des Eaux, is understood to be preparing to sound out potential buyers for 40 or more of its hotels. These have been estimated to be worth up to $500m.

Among those who are expected to be interested in the properties are Jarvis Hotels, the UK company which harbours ambitions to expand into continental Europe.

Jarvis is believed already to have approached potential backers to invest alongside it in continental Europe and would be most likely to take on a management role at any properties acquired.

Blackstone, the New York-based investment group which bought the Savoy Hotel group earlier this year, is also thought to be eager to expand into continental Europe. Blackstone and Ramon Pajares, managing director of the Savoy, are understood to have been looking for luxury hotels which could be brought under the Savoy name.

The portfolio of European hotels being marketed, includes the Westin Demeure hotels. Some are luxury hotels, including 47 Park Street in London. The Grand in Amsterdam, the Baltimore in Paris and Les Anglais in Geneva.

Vivendi also owns a group of about 35 Libertel two or three star hotels. Compagnie Générale d'Immobilier et de Services, the group's property holding company, said it was its policy to sell some assets, "including our hotels". CGIS disposed of FFr5.5bn ($980m) worth of assets in 1997 and has about another FFr10bn earmarked for disposal.

Vivendi has been eagerly selling peripheral businesses, cutting debt. It remains spread across water, power, transport, construction, telecoms and media.

Wella buys Yardley division

By Robert Wright

The receivers of Yardley of London, the "quintessentially English" cosmetics group, yesterday made their first sale when the Bath Luxuries division went to Wella, the German cosmetics group.

Tony Thompson and Roger Oldfield of KPMG, the accountants, sold the division for an undisclosed sum, although Mr Thompson said he was "highly pleased" with the price.

Mr Thompson said Bath Luxuries – which made some of Yardley's most famous products, such as Yardley English Lavender and Lily of the Valley – had sales last year of £10m to £15m ($25m), about a quarter of the total. The division also enjoyed gross margins of 45 per cent, making it the most profitable division.

The deal involved intellectual property in more than 100 countries. The rights for South Africa and North America have not been sold. Yardley's North American operations are run by a company owned by Wasserstein Perella Management Partners, the US investment bank which also owned Yardley of London.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Allen	6 mths to Sept 27	166.6	(126.8)	8.94	(7.13)	15.01†	(12.29)	5.1	Jan 29	4.2	-	10.85
Cambridge Antibody	Yr to Sept 30	1.35	(1.13)	6.95L	(8.36L♠)	31L†	(47.9L)	-	-	-	-	-
Chrysalis	Yr to Aug 31	126.7	(107.8)	1.23L	(1.95L♥)	6.82L	(5.53L)	2.75	Apr 8	2.75	2.75	2.75
City of London PR	6 mths to Sept 30	1.33	(1.24)	0.441	(0.505)	3.95	(4.71)	1.92	Jan 14	1.87	-	6.16
Ferraris	Yr to Aug 31	27.7	(20.7)	2.11	(1.73)	13.1†	(11.4)	2.2	Jan 20	2	3.6	3.2
Goldshield	6 mths to Sept 30	16	(10.9)	2.16♠	(1.68)	4.1†	(4.3)	0.46	Feb 26	-	-	1.2
Grantchester	Yr to Sept 30	14.5□	(7.27□)	2.58♠	(3.89)	1.36†	(3.34)	0.7	Jan 8	1	1.1	1
Hewetson	6 mths to Sept 30	32.7	(35.8)	2.63	(2.18)	10.9	(8.47)	2.75	Jan 20	2.25	-	7.5
Liberfabrica	6 mths to Sept 30	36.6	(34)	3.01	(3.06)	1.04	(1.04)	0.21	Jan 22	0.19	-	0.6
Maelor Φ	6 mths to Sept 30	0.004	(-)	0.716L	(-)	4.8L	(-)	-	-	-	-	-
Majestic Wine Φ	6 mths to Sept 28	29.1	(26.5)	1.04	(1.03)	5.33†	(5.55)	1.7	Jan 8	1.6	-	5
Property Asset Φ	6 mths to Sept 30☆	0.058□	(0.026)	0.11	(0.084)	0.06†	(0.06)	-	-	-	-	-
Quadramatic	Yr to Oct 2	74.6	(73)	12.6♥	(14)	17.4	(19.5)	6	Feb 11	5.9	10.5	10
RM	Yr to Sept 30	131	(110.2)	10	(8.02)	8	(6.3*)	1.8	Feb 3	1.44*	2.34*	1.9*
Salvesen (C)	6 mths to Sept 30	299.6	(264.6)	23.3♥	(19.3)	6.49	(5.09)	2.45大	Feb 1	2.45♦	-	5.85
Sheffield United	Yr to June 30 ★	10.3	(9.62)	6.72L♠	(3.67L♠)	13.4L	(12.3L)	-	-	-	-	-
Siebe	6 mths to Oct 3 ★	1,929	(1,707)	245.6♠	(224♠)	7.85	(7.05§)	1.485	Apr 6	1.35§	-	4.05§
Southnews	6 mths to Oct 3	38.1	(21)	6.17♠	(3.7)	20.37†	(15.53)	4	Jan 8	3	-	9.5
South Staffs Water	6 mths to Sept 30	47.3	(38.9)	10.9	(10.3)	137	(128)	37.5	Jan 4	34	-	105
TBI	6 mths to Sept 30	60.9	(45.9)	17.3♥	(14.1♥)	3.25	(2.84)	0.5	Jan 4	0.5	-	1.75
Ila Φ	6 mths to July 31	3.7	(4.05)	0.352L	(0.134L)	-	(-)	2	Dec 21	2*	-	4.625*
Unidare ♣	Yr to Sept 30	139.2	(125.3)	8.19♥	(6.88)	29.06	(24.21)	13.3	Mar 12	12.8	18.1	17.4

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore Scotland	3 mths to Oct 31	381	(457.7‡)	0.396	(0.499)	2.92	(3.69)	2.7	Apr 6	2.7	-	12.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. □Net rental income. ΦAim stock. ☆Comparatives cover six months to March 31 1998. *Adjusted for share subdivision. 大Foreign income dividend. ♦Excludes 1.45p relating to Angrako. ★Comparatives restated. §Adjusted for scrip issue. ♣Irish currency. ‡At July 31.

BICC fibres sale

By Thorold Barker

BICC, the cables and construction company, has agreed to sell its 50 per cent interest in Optical Fibres to its joint venture partner Corning, the US glass manufacturer, for £26m ($43m) in cash.

Corning will also assume the joint venture's £28m of debt that was all on BICC's balance sheet.

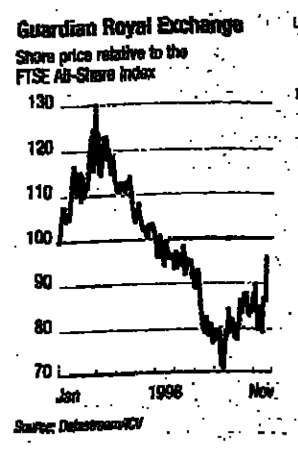
Alan Jones, chief executive of BICC, said the price of optical fibre had fallen by 40 per cent in the last six months.

BICC will continue to sell optical cable, the finished product, and Corning will supply fibre to BICC at a "competitive price" for more than five years.

Optical Waveguides Fibre, BICC and Corning's Australian joint venture will be unaffected by the deal. BICC shares closed up 7p at 69p.

COMMENT

GRE



It had to happen. Four of the UK's top five insurers have paired off in the past few years, leaving Guardian Royal Exchange prey to bid speculation. Now it really is in play. While the company has been refining its disparate businesses, this is no match for the whiff of a deal. Investors must be relieved. GRE's shares had slid from 474p in February – when the Commercial Union/General Accident merger was announced – to 230p in October. Its admission yesterday that it would consider auctioning itself off has fanned the recovery. At 350½p, the shares are on a modest premium of about 15 per cent to net asset value, adjusted to include the life business's embedded value. This remains well short of the roughly 1.6 times book value paid by Norwich Union for London & Edinburgh. Clearly the value squeezing exercise has some way to run: adding in GRE's goodwill gives a starting point above 360p.

With overcapacity plaguing the general insurance business, most logic would lie in a deal with cost-cutting potential. Royal & Sun Alliance, CGU and Allied Zurich appear to have their hands full with integration tasks. But can they afford to let a big continental rival, such as Axa or Alliance, steal 6 per cent of their home market? Most value might be released by selling parts of the portfolio separately. GRE must be considering doing this itself so that it can benchmark any offers. It is good to see it becoming realistic about the sector's consolidation.

London Electricity

Someone is doing London Electricity a favour. Talk that Eléctricité de France's bid for London Electricity might face competition problems has helped push up the price. The risk of regulatory delays have to be compensated for by more cash. One issue appears to be that the French electricity market is not as open as the UK's. It is conceivable the European Commission might want to impose conditions on the French in the interests of reciprocity – although France does not have to start implementing a Commission liberalisation directive until next year. But it is difficult to see what objections UK authorities could have: EdF has only 6 per cent of the UK electricity generation market. True, EdF, a state-owned monopoly, may undercut UK coal-fired generation. But so can others, such as gas-fired power generators.

TBI's 23% rise aided by growth in airports unit

By Charles Pretzlik

TBI, the airports and property group, yesterday announced a 23 per cent rise in first-half pre-tax profits from £14.1m to £17.3m ($29m) after experiencing strong growth at both its divisions.

The group derived more than two-thirds of profits from its airports, which include Belfast International, Cardiff International, Orlando Sanford International and a 90.1 per cent interest in Stockholm Skavsta airport.

Keith Brooks, chief executive, said: "The outlook for our airports business is encouraging and in the property division tenant demand is holding up well."

The shares fell nearly 5 per cent, or 4¼p, to 88½p.

Passenger levels at the airports rose 12 per cent in the six months to September 30, which helped boost profits from this division 17 per cent to £17.6m.

The biggest contributor to the airport division's profits was Belfast International which produced a 17 per cent increase in operating profits after a 10 per cent lift in passenger numbers and a 6 per cent increase in the amount spent by each passenger.

Analysts said passenger spending would be hit next year by the expected abolition of duty free shopping within the European Union.

This is expected to reduce TBI's turnover by about £1.5m.

The group is continuing to expand its airports business and is expected to make a new attempt to buy Belfast City airport from Short Brothers after being warned off three years ago by competition regulators.

TBI's property division sold 12 properties in the first half for £44m, producing profits of £4.9m.

The group did not make any new investments in properties that were not directly linked with its airports.

Analysts believe the group is slowly exiting the property sector and will be reclassified as a transport group.

Earnings per share rose from 2.84p to 3.25p but the interim dividend is being held at 0.5p.

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EQUITIES

Takeover talk boosts Europe

EUROPEAN OVERVIEW

By Philip Coggan, Markets Editor

A wave of merger and takeover stories across the continent ensured another good session for European stock markets yesterday with the Dax in Frankfurt regaining the 5,000 level.

The confirmation of the oft-reported talks between Deutsche Bank and Bankers Trust of the US; the tie-up between UK engineering stocks BTR and Siebe; and the approaches to UK insurance group Guardian Royal Exchange ensured a busy day for speculators. Dresdner Bank added fuel to the fire when the chief of the management board said a big merger was a "very clear option" for the bank.

The strength of the dollar against the D-Mark, on the back of concerns about President Yeltsin's health, and a strong start on Wall Street, where the Dow Jones Industrial Average was in sight of its all-time high, also did its bit to help European bourses.

The FTSE Eurotop 100 index gained 56.78 or 2.2 per cent to 2,700.16, while the broader Eurotop 300 rose 25.8 to 1,162.08. The FTSE Ebloc 100 index, which focuses on stocks in the core euro countries, advanced 17.57 or 1.9 per cent to 964.12.

Once again, however, the European blue-chip stocks outperformed the midcaps, where gains were limited to the 0.5 per cent-1 per cent range, a sign the rally is not that broadly-based.

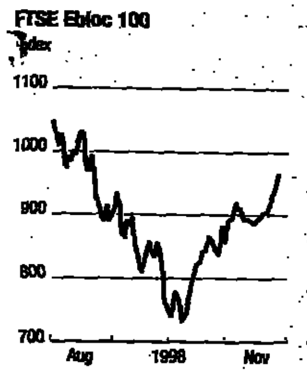
The banks gained 4 per cent, with Deutsche up Ecu 1 at Ecu 55.68 and Dresdner Ecu 2.6 at Ecu 36.20. And the insurance sector advanced 3.8 per cent, thanks in part to GRE's Ecu 0.6 rise to Ecu 5.03.

But the best performing sector of the day was transport where the strength of the dollar induced a 4.8 per cent uptick. Lufthansa rose Ecu 0.7 to Ecu 18.89.

Construction was the main loser of the day, falling 1.2 per cent, with Bouygues continuing its recent poor run and dropping Ecu 2.1 to Ecu 168.79.

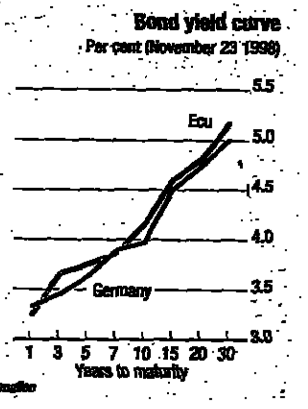
The sheer speed of the stock market rally continues to induce some caution in observers. Goldman Sachs said it has cut its recommended equity weighting for European investors from 60 per cent to 55 per cent, thereby increasing its cash holding from 5 to 10 per cent.

FTSE Ebloc 100



Source: FTSE International, Interactive Data/FT Information

Bond yield curve



FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

November 23 National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1162.08	+2.27	+25.80	2.37	30.52	1202.31
FTSE Eurotop 100	2700.16	+2.15	+56.78	2.38	38.85	967.35
FTSE Ebloc 100	964.12	+1.86	+17.57	2.19	14.85	978.43
FTSE EuroMid	1115.67	+1.09	+12.02	2.95	0.31	1154.13
FTSE EuroMid Ebloc	1166.04	+0.87	+10.00	2.48	0.02	1180.19
FTSE EuroMid Ex UK	1159.80	+0.56	+6.46	2.38	0.02	1180.88
FTSE Eurotop 300 Regions						
Eurobloc	1204.87	+1.71	+20.22	2.09	21.46	1230.43
UK	1094.48	+3.05	+32.44	2.82	48.71	1166.08
Europe Ex-Eurobloc	1129.73	+2.87	+31.52	2.67	38.46	1181.89
Europe Ex-UK	1201.54	+1.88	+22.17	2.15	19.83	1223.85
FTSE Eurotop Industry Sectors						
RESOURCES	886.44	+1.54	+13.40	3.23	29.22	926.97
Extractive Industries	763.77	+2.86	+21.25	4.55	14.54	779.90
Oil, Integrated	858.08	+1.48	+12.51	3.17	21.73	878.86
GENERAL INDUSTRIES	1048.90	+1.85	+19.01	2.63	21.29	1071.06
Construction	860.46	-1.09	-9.47	3.23	11.06	870.47
Building Matls & Merchs	892.04	+1.44	+12.65	2.51	8.96	889.75
Chemicals	869.74	+1.68	+14.36	2.79	17.45	885.09
Diversified Industrials	932.24	+0.74	+6.83	2.55	22.61	959.57
Electronic & Elect Equip	930.14	+1.81	+16.55	1.79	5.41	935.21
Engineering	853.06	+3.19	+26.41	3.92	12.32	864.11
Paper, Pckg & Printing	830.10	+2.40	+19.45	2.81	1.21	831.13
CONSUMER GOODS	1195.21	+1.16	+13.75	1.68	50.08	1264.02
Automobiles	888.15	+1.87	+16.28	2.57	10.25	896.36
Alcoholic Beverages	973.38	+3.55	+33.41	2.75	296.79	1450.05
Food Producers	1016.38	+1.39	+13.98	1.50	11.84	1030.96
Household Goods & Texts	1017.44	+1.33	+13.32	1.87	7.88	1025.06
Healthcare	891.05	+3.10	+26.78	1.32	13.51	904.38
Pharmaceuticals	1043.45	+0.69	+7.19	1.24	5.27	1049.12
Tobacco	1273.79	+0.33	+4.19	3.99	15.88	1291.30
SERVICES	1173.42	+2.03	+23.32	2.02	22.93	1206.07
Distribution	767.99	+0.55	+4.18	2.83	11.37	776.53
Leisure & Hotels	711.81	+1.13	+7.94	3.50	12.27	721.13
Media	1007.26	+1.67	+16.51	2.20	10.68	1018.01
Retailers, Food	1052.48	+1.84	+18.98	1.95	14.17	1067.70
Retailers, General	975.30	+0.44	+4.29	3.25	20.48	985.42
Telecommunications	1114.72	+2.28	+24.90	1.76	13.52	1128.79
Breweries, Pubs & Rests	779.27	+4.08	+30.57	3.45	16.00	793.05
Support Services	941.23	+2.44	+22.44	1.56	9.87	951.21
Transport	981.68	+4.82	+45.61	2.51	18.24	1009.97
Information Technology	900.55	+1.25	+11.10	0.40	2.33	902.89
UTILITIES	1477.97	+1.17	+17.10	3.02	57.04	1562.17
Electricity	1107.51	+0.55	+6.02	3.20	27.84	1138.75
Gas Distribution	1209.91	+2.04	+24.15	1.55	93.32	1332.19
Water	1078.18	+3.18	+33.25	4.74	38.72	1119.36
FINANCIALS	1251.91	+3.71	+44.82	2.62	27.52	1285.61
Banks, Retail	869.33	+3.96	+33.12	3.37	13.20	881.25
Insurance	972.20	+3.81	+35.66	1.43	11.79	983.93
Life Insurance	1127.34	+2.53	+27.85	1.73	12.98	1141.98
Other Financial	853.83	+1.96	+16.40	2.27	15.95	868.45
Investment Companies	938.43	+0.77	+7.19	1.45	20.66	955.97
Property	689.21	+1.28	+8.59	3.62	16.01	701.87

Further information is available on http://www.ftse.com © FTSE International Limited 1998. All rights reserved. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop Indices are compiled by FTSE International.

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan		96.550	+0.030			0	0
Mar		96.865	+0.070			0	5992
		96.715	+0.065			0	2305
		96.715	+0.085			0	1284

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Dec	Jan	Feb	Mar	PUTS Dec	Jan	Feb	Mar
96500	0.030	0.260	0.270	0.280	0.145	0.095	0.105	0.115
96625	0.005				0.245			

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2699.0	2717.0	+59.0	2717.0	2693.0	620	7386
Mar		2725.5	+59.0			0	1080

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2500	2625	2650	2800	2700	2760	2800
	C P	C P	C P	C P	C P	C P	C P
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol total 140 . Prev day's open interest total 8,266 . Premiums shown are based on settlement prices.

OTHER INDICES

	Nov 23	Nov 20	Oct 19	1998 High	1998 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3260.48	3184.31	3103.45	[illegible]	[illegible]	[illegible]	[illegible]
DJ Euro Stx 50	3194.17	3153.45	3046.66	[illegible]	[illegible]	[illegible]	[illegible]
MSCI Europe	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Datastream at FT Information. *Subject to revision next day. (x) unavailable.

FTSE EUROTOP 300

Name	Price (Ecu)	Chge + or -	Mkt cap Ecu(bn)	Vol (m)	Yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

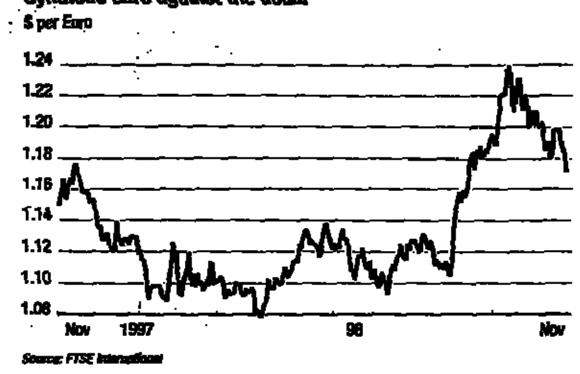
CURRENCIES & MONEY

FT SYNTHETIC EURO RATES

Nov 23	Currency code	Closing mid point	Change on day	Change on day%	Change on week	Change week %
Europe						
Austria	ATS	14.049752	-0.0016	-0.01	-0.0005	+0.00
Belgium	BEF	41.192550	-0.0032	-0.01	-0.0119	-0.03
Czech Republic	CZK	35.815194	+0.2516	+0.71	+0.3774	+1.06
Denmark	DKK	7.591684	-0.0006	-0.01	-0.0002	+0.00
Finland	FIM	6.073441	+0.0010	+0.02	+0.0006	+0.01
France	FRF	6.696718	+0.0003	+0.00	-0.0010	-0.01
Germany	DEM	1.998831	-0.0002	-0.01	-0.0002	-0.01
Greece	GRD	334.958030	+0.2249	+0.07	-1.2008	-0.36
Hungary	HUF	257.529589	-1.5005	-0.58	-1.3672	-0.53
Ireland	IEP	0.803700	+0.0002	+0.03	+0.0006	+0.07
Italy	ITL	1977.031511	-0.0040	+0.00	+1.0382	+0.05
Luxembourg	LUF	41.192550	-0.0032	-0.01	-0.0119	-0.03
Netherlands	NLG	2.251297	-0.0005	-0.02	-0.0005	-0.02
Norway	NOK	8.778957	-0.0458	-0.52	-0.1514	-1.58
Poland	PLN	4.072392	-0.0180	-0.44	-0.0433	-1.05
Portugal	PTE	204.914191	+0.1239	+0.06	+0.0780	+0.04
Romania	ROL	11733.315903	-39.4338	-0.33	-92.4503	-0.78
Russia	RUB	21.322851	+0.5881	+2.74	-1.1727	-5.21
Slovakia	SKK	43.098701	-0.2689	-0.62	-0.1133	-0.26
Spain	ESP	169.848974	+0.0636	+0.04	-0.0251	-0.01
Sweden	SEK	9.493969	-0.0658	-0.69	-0.1792	-1.85
Switzerland	CHF	1.646062	+0.0015	+0.09	+0.0020	+0.12
United Kingdom	GBP	0.709920	-0.0049	-0.69	-0.0063	-0.87
ECU	ECU	1.015621	-0.0002	-0.02	+0.0004	+0.04
Americas						
Brazil	BRL	1.402374	-0.0106	-0.75	-0.0239	-1.68
Canada	CAD	1.812542	-0.0163	-0.89	-0.0524	-2.81
Mexico	MXN	11.580425	-0.1273	-1.09	-0.3664	-3.07
United States	USD	1.171574	-0.0110	-0.93	-0.0266	-2.22
Pacific/Middle East/Africa						
Australia	AUD	1.826719	-0.0103	-0.56	-0.0447	-2.39
Hong Kong	HKD	9.071851	-0.0839	-0.92	-0.2057	-2.22
Japan	JPY	141.748786	-0.4585	-0.32	-1.7779	-1.24
Singapore	SGD	1.917281	-0.0080	-0.41	-0.0345	-1.77
South Africa	ZAR	6.860751	+0.0057	+0.09	-0.1271	-1.87

Source: FTSE International Ltd.This table gives a theoretic, synthetic value for the Euro against various other currencies, calculated by applying EOP weights to Euro "In" currencies. The Euro will not exist until January 1 and the table should not be used as a precise guide to its value. It is designed to show broad currency valuation trends. Currency weightings as follows: DEM 0.3384, FRF 0.2217, ITL 0.1622, NLG 0.0577, BEF 0.0386, ESP 0.0848, IEP 0.0116, PTE 0.0155, ATS 0.0328, FIM 0.0187.

Synthetic Euro against the dollar



Source: FTSE International

EUROZONE CURRENCY CONVERGENCE

Bilateral conversion rates against the D-Mark

Nov 23	Fixed rate	Market rate	Diff bid value %	Week ago %	Forward rate	Forward bid rate	Diff vs impl DEM
Austria	7.03652	7.036	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	20.6255	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	3.35386	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland	3.04001	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	0.402676	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	990.002	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Luxembourg	20.6255	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	1.12674	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	102.505	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	85.0722	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: The WM Company. Fixed rates are bilateral rates agreed by EU May 2/3. Forward rates are exchange rates to 31/12/98 interpolated from market quotes. [illegible]

BONDS

INTEREST RATE SWAPS

Nov 23	D-Mark Bid	D-Mark Ask	Ecu Bid	Ecu Ask	£ Stg Bid	£ Stg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.47	3.50	3.52	3.56	0.00	0.00	5.07	5.10	0.35	0.38
2 year	3.51	3.54	3.52	3.56	6.04	6.08	5.13	5.16	0.42	0.45
3 year	3.60	3.63	3.61	3.65	5.97	6.01	5.18	5.21	0.52	0.55
4 year	3.73	3.76	3.74	3.78	5.92	5.96	5.23	5.26	0.63	0.66
5 year	3.88	3.91	3.89	3.93	5.83	5.87	5.27	5.30	0.75	0.78
6 year	4.03	4.06	4.04	4.08	5.77	5.81	5.34	5.37	0.87	0.90
7 year	4.17	4.20	4.18	4.22	5.73	5.77	5.39	5.42	1.01	1.04
8 year	4.29	4.32	4.30	4.34	5.69	5.73	5.46	5.49	1.14	1.17
9 year	4.40	4.43	4.40	4.44	5.65	5.69	5.52	5.55	1.27	1.30
10 year	4.48	4.51	4.48	4.52	5.63	5.67	5.56	5.59	1.40	1.43
12 year	4.63	4.66	4.63	4.67	5.61	5.66	5.67	5.70	1.65	1.69
15 year	4.82	4.85	4.82	4.86	5.58	5.64	5.76	5.79	1.91	1.95
20 year	5.03	5.06	5.03	5.07	5.55	5.62	5.86	5.89	2.10	2.15
25 year	5.15	5.18	5.15	5.19	5.53	5.60	5.86	5.89	2.16	2.21
30 year	5.23	5.26	5.23	5.27	5.52	5.60	5.86	5.89	2.25	2.30

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months LIBOR, £ and Yen quoted on a semi-annual actual/365 basis against 6 months LIBOR, D-mark and Ecu quoted on annual bond 30/360 basis against 6 month LIBOR with the exception of the 1 year rate which is quoted against 3 months LIBOR. Source: Intercapital Brokers Ltd.

EUROZONE CORPORATE BONDS

Nov 23	Red date	Coupon	S&P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread vs Ecu
Sovereign Fungible Issues								
Belgium (Kingdom of)	03/08	5.750	AA	111.180	4.27	+0.00	-0.07	-0.10
France (Rep of)	04/08	5.250	AAA	108.650	4.09	-0.03	-0.12	-0.08
Italy (Rep of)	05/08	5.000	AA	105.450	4.29	-0.04	-0.15	-0.12
Portugal (Rep of)	06/08	5.375	AA-	107.450	4.40	-0.02	-0.12	-0.23
Euro Issues								
Abbey Natl Treas Srv	02/03	4.875	AA	103.850	3.87	-0.04	-0.06	-0.10
Gen Electric Cap Crp	10/04	5.500	AAA	107.990	3.94	+0.00	-0.05	-0.13
Oest Kontrollbank	04/08	5.250	AAA	108.910	4.34	-0.03	-0.15	-0.17
Cred Local de France	04/08	5.250	AA+	105.250	4.55	-0.03	-0.14	-0.38
Ecu Issues								
Bayer Hypo & Wech Bk	07/07	5.000	AA-	102.780	3.85	-0.11	+0.01	-0.17
Cred Foncier France	03/04	8.375	A	118.785	4.33	-0.08	-0.13	-0.52
Euro Inv Bank	04/04	5.250	AAA	107.250	3.71	-0.06	-0.29	-0.10
ABN Amro Hdg. NV	04/07	6.375	AA-	111.270	4.72	-0.03	-0.23	-0.66

Source: Interactive Data/FT Information, London closing. Fungible bonds issued in tranches by Euro "in" sovereigns and fungible into one big Euro issue 1/1/99; Euro issues are issued in the new currency; Ecu bonds are issued in Ecus but convert to Euros 1/1/99.

GOVERNMENT BOND SPREADS vs ECU

Nov 23	2 yrs	5 yrs	7 yrs	10 yrs	20 yrs	30 yrs
"Ins"						
Austria	-0.12	-0.10	+0.16	+0.03	-0.39	+0.10
Belgium	-0.08	+0.01	+0.13	+0.13	+0.04	+0.06
Finland	-0.16	+0.10	+0.22	+0.16	-0.49	-0.85
France	-0.19	-0.11	-0.06	-0.06	-0.06	-0.16
Germany	-0.19	-0.12	+0.03	-0.18	-0.07	-0.16
Ireland	-0.06	-0.03	+0.09	+0.15	+0.21	+0.58
Italy	+0.06	+0.09	+0.19	+0.21	+0.17	+0.10
Luxembourg	-0.09	+0.01	+0.13	+0.13	+0.04	+0.06
Netherlands	-0.12	-0.01	-0.01	-0.08	+0.05	-0.17
Portugal	-0.05	+0.11	+0.24	+0.19	+0.34	+0.15
Spain	-0.20	+0.00	+0.24	+0.27	+0.09	+0.08
"OUTs"						
Denmark	+0.33	+0.37	+0.41	+0.26	-0.04	+0.49
Greece	+6.33	+4.98	+3.90	+3.28	+2.48	+2.12
Sweden	+0.18	+0.29	+0.37	+0.28	+0.17	-0.19
UK	+1.75	+1.03	+1.01	+0.66	-0.03	-0.58

Source: Interactive Data/FT Information. Table takes common convention constant maturity treasury yield curves for each currency and compares to the constant maturity Ecu curve to calculate a spread.

EUROZONE CREDIT SPREADS vs ECU

Nov 23	S&P rating	Red date	Coupon	Currency code	Spread	Spread wk ago	Spread mth ago
KFW	AAA	01/09	5.000	DEM	+0.15	+0.14	+0.17
France Telecom	AA-	11/06	6.250	FRF	+0.26	+0.24	+0.24
Halifax	AA-	07/07	5.625	DEM	+0.45	+0.46	+0.45
Ing Bank NV	AA-	01/08	5.500	NLG	+0.33	+0.30	+0.42
Bayer Hypo W Bk	AA-	02/42	6.750	ITL	+0.27	+0.26	+0.20
Cred Foncier	A	02/03	7.250	DEM	+0.40	+0.44	+0.42
Thomson-Brandt Int	A-	03/04	6.375	FRF	+0.51	+0.50	+0.52
Generale des Eaux	NA	03/04	6.250	FRF	+0.41	+0.40	+0.41
Bank of China	BBB	07/99	7.125	DEM	+1.62	+1.96	+2.43
Natl Bk of Hungary	BBB-	08/01	9.000	ATS	+0.71	+0.90	+1.68
Korea Dev Bank	BB+	11/02	5.825	FRF	+5.86	+6.08	+6.21
Argentina	BB	04/08	8.125	XEU	+5.24	+4.92	+5.52

Source: Interactive Data/FT Information. Table shows yield spreads to the Ecu curve for issues of a broadly representative credit in each rating band denominated in Euro "in" currencies.

The Royal Bank of Scotland Group plc

£200,000,000
FLOATING RATE NOTES 2005

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from 20th November 1998 to 22nd February 1999, the Notes will bear a Rate of Interest of 7.0625% per annum. The amount of interest payable on 22nd February 1999 will be £90.94 per £5,000 Note and £909.42 per £50,000 Note.

AGENT BANK:
Charterhouse Bank Limited
is Regulated by The Securities and Futures Authority

CHARTERHOUSE

NOTICE OF MEETING

ESPIRITO SANTO FINANCIAL GROUP S.A.
Société Anonyme

Registered office: 231, Val des Bons Malades, Luxembourg-Kirchberg

R.C. Luxembourg B 22 232

By this notice, the shareholders are convened to attend the

EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING

which will be held on 3rd December 1998 at 3.00 pm. (local time) at the Company's registered office.

AGENDA

1. Proposal to confer upon the Board of Directors the right to purchase in the market Espirito Santo Financial Group S.A.'s ("the Company") own shares. The amount would be up to a total of 4,790,855 shares (10% of the shares presently issued) for a maximum period of eighteen months from the date of the authorisation at the discretion of the Board of Directors: according to Luxembourg law the Company is required to indicate a price range for such share purchases. The Board of Directors proposes that no purchases will be made above USD 20.50 per share. The Company believes that share purchases could be an effective use of capital subject to future market conditions.
2. To acknowledge the resignation of the Company's auditors, Price Waterhouse S.A., Luxembourg, and to appoint PricewaterhouseCoopers SARL, Luxembourg as the new auditors of the Company.

In accordance with Luxembourg law dated 4th December 1992, concerning important shareholdings in companies listed on the Luxembourg Stock Exchange, any shareholders who are the beneficial owners of more than 10 % of the shares of the Company directly or in the form of ADS's, are requested to disclose their positions.

The Board of Directors

PUBLIC NOTICE

TRANSPORT RESEARCH FOUNDATION: Election of Fellows

The Transport Research Foundation is the owner of the UK's Transport Research Laboratory and has the support of eightythree sector members including Universities, Professional Institutions, Consultants, the Transport Supply Industry and Trade Associations, Infrastructure Owners and Service Providers and Operators.

Fellows of the Foundation are elected for distinction and world-standing in transport and transport-related research, and the following have now been elected: Professor Richard Allsop OBE, (Professor of Transport Studies, University College, London); Mr David Bayliss OBE, (Director of Planning, London Transport); Mr Garth Clarke, (Chief Executive, TRF: President of the Fellowship); Mr Alan Craig (Managing Director, Infrastructure Consultancy, Babtie Group); Dr John Denning (Head of Group Corporate Affairs and Communications, Tarmac plc); Mr John Ekins OBE, (County Surveyor, Hampshire County Council); Professor Peter Hills OBE, (Dean of the Faculty of Engineering, Newcastle University); Dr Rod Kimber, (Research Director, TRF: Chairman of the Fellowship); Dr Murray Mackay OBE, (University of Birmingham); Professor Robert Mair, (Director Geotechnical Consulting Group and Professor of Geotechnical Engineering, Cambridge University); Professor Tony May, (Professor of Transport Engineering and Pro Vice-Chancellor, University of Leeds); Professor Mike McDonald, (Director, Department of Civil and Environmental Engineering, University of Southampton); Professor Chris Nash, (Professor of Transport Economics, Institute for Transport Studies, University of Leeds); Dr Paul Nelson, (Chief Research Scientist, TRL); Professor Tony Ridley CBE, (Head, Department of Civil Engineering, Imperial College); Mr Terry Rochester CB, (Consultant, formerly Chief Highway Engineer, Highways Agency); Dr John Rolt, (Chief Research Scientist, TRL); Professor Martin Snaith, (Professor of Highway Engineering, University of Birmingham); Dr John Turner, (Chief Research Scientist, TRL).

Commerzbank Overseas Finance N.V.
USD 200,000,000 Floating Rate Notes of 1993/2005

In accordance with the provisions of the Notes the following notice is hereby given:

Interest Period: November 23, 1998 to May 24, 1999 (182 days)
Interest Rate: 5 % p.a.
Coupon Amount: USD 126.39 per USD 5,000 Note; USD 2,527.78 per USD 100,000 Note
Interest Due Date: May 24, 1999

Frankfurt/Main, November 1998

COMMERZBANK

Financial Times Surveys

Greece

Tuesday December 8

For further information please contact:

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FINANCIAL TIMES
No FT, no comment.

Rise in US Treasury yields

GOVERNMENT BONDS

By Arkady Ostrovsky and Edward Luce

US Treasuries hit a volatile patch yesterday morning, falling more than a full point in thin trading volumes. Economists attributed the fall to low pre-Thanksgiving volumes but also said there were detectable movements towards a steepening of the yield curve.

By early afternoon, the yield on the 30-year US Treasury had risen by about three basis points to 5.25 per cent while the yield on the 10-year had risen to 4.90 per cent. In contrast, the yield on the two-year Treasury benchmark had fallen while the five-year remained flat.

"The Treasury curve is definitely steepening but we still see a positive outlook for Treasuries," said Luca Jellinek, at Paribas.

However, economists warned against reading too much into the volatility with groundless rumours, including the death of Boris Yeltsin, also swaying sentiment.

In Europe, prices mostly ended higher after finance ministers distanced themselves from earlier calls for swift interest-cuts in Europe.

The markets had been unnerved by the strength and growing unity of calls for the European Central Bank to cut interest rates as early as possible.

Oskar Lafontaine, the German finance minister, allayed some of those fears when he signalled ECB's independence in setting interest rates. Mr Lafontaine, along with his counterparts, also re-affirmed his commitment to the maintenance of fiscal stability after monetary union.

"The main thrust of the Euro-11 meeting was to recognise the independence of the European Central Bank and rules concerning the stability and growth pact," said Charlie McCreevy, Irish finance minister.

Economists were further cheered by economic data from two German states suggesting Germany's inflation rate could have further to fall. Phyllis Reed, economist at Barclays Capital, said inflation could drop as low as 0.7 per cent.

"There's plenty of room to cut rates but the simplest thing is for politicians to keep quiet," said HSBC Markets' Stephen King.

Germany was the only leading European market to see bond prices fall yesterday with the December German bund future settling 0.07 lower at 113.68 on turnover of 332,000 contracts on Eurex.

UK gilts ended higher, with the December future on the 10-year gilt rising by 19 basis points to close at 116.10 in London.

Emerging markets continued to rally with J. P. Morgan's benchmark emerging market bond index dropping below a yield spread of 1,000 basis points for the first time since the Russian domestic debt default in August.

Both Brazilian C Bonds and Russian IANs rose sharply early in the day before surrendering the gains to profit-taking in the afternoon.

Richard Gray, at Bank of America, said there was evidence of liquidity returning to emerging market trading.

Economic turmoil helps lift AIM fund

By Jane Martinson, Investment Correspondent

AIM Global Advisors, part of the Amvescap fund management group, said yesterday that global economic turmoil in the past few months had helped its European money market funds increase 44 per cent in the past five months.

Assets held in AIM's global money market funds jumped from $450m to $719m between February and the end of October. Most of the increase came during the summer as the Russian economic crisis and the debacle following the near-collapse of Long-Term Capital Management, the hedge fund, hit confidence in stock markets around the world.

AIM said that its funds, which are triple-A rated by Standard & Poor's and Moody's, had benefited from the downgrading of several large European banks in the past quarter as well as the flight to a cash "safe haven".

A company spokesman said: "Money market funds have increased along with the perception of risk in the more traditional forms of holding cash."

Rabobank, the Dutch group, is the sole remaining private sector bank in Europe to be triple-A rated by credit agencies.

Money market funds are open-ended investment companies which invest in a range of cash instruments. They are more popular in the US, where more than $1,000bn is held in money market funds, than in Europe. However, AIM's asset growth is largely based on demand from European institutions investors. AIM is set to launch a euro-denominated money market portfolio in January.

Philippines considers sovereign bond issue

By Tony Tassell in Manila

Asian countries are preparing to test investor appetite for sovereign bonds from emerging markets.

After the success of Argentina's recent $1bn offering, China and the Philippines are considering taking advantage of a sharp recovery in Asian secondary debt markets over recent months.

"After experiencing their worst sell-off, Asian bond prices have staged a sharp recovery," said Chris Francis, managing director, fixed income research at Merrill Lynch. "Volumes [on the secondary market] remain thin; however, and the appetite for new issues remains to be tested."

China is thought to be considering reviving its postponed $1bn yankee offering as early as next week (to be lead-managed by Goldman Sachs and Credit Suisse First Boston) while the Philippines is planning investor roadshows next month for an offer early in 1999. Thailand is also said to be considering a sovereign issue.

The Philippines, one of the countries less affected by the Asian economic crisis over the past 18 months, may be set to raise up to $1.5bn in three separate issues over the next few months.

The country had earlier deferred a $500m eurobond issue and a $500m yankee bond offering early this year as increasing risk aversion by international investors pushed Asian bond prices to new lows.

Now with sovereign bond prices recovering in the secondary markets, the offerings are back on the agenda, according to Edgardo Esperitu, the Philippines' finance secretary.

Mr Francis said Philippine sovereign bonds had been one of the leaders in the recovery in Asian credit market, with the yield spread on the benchmark 2008 10-year Philippine bond bouncing back from a low of about 960 basis points over US Treasuries on September 4 to current levels of around 400 points.

Apart from the eurobond and yankee bond issues, the Philippines is lobbying Japan to subscribe to a further $500m Samurai bond offering as part of that country's $30bn stimulus package for five Asian crisis-affected countries – Malaysia, Thailand, Indonesia, South Korea and the Philippines.

Under the so-called Miyazawa initiative, Japan is planning to inject the $30bn into the reconstruction and recovery of the five economies. Mr Esperitu said Japanese officials were holding talks in Manila this week on a $6bn "wish-list" of projects and programmes for which the Philippines is seeking assistance.

The Philippines' claims to support from the Miyazawa initiative may, however, be limited by the fact that it remains in relatively better shape than some of its troubled neighbours.

On the Samurai bond offering proposed by the Philippines, Mr Esperitu said Japan would take up 50 per cent of the issue while the remainder would be offered to investment bankers around the world.

Record low coupon from Merck

INTERNATIONAL BONDS

By Edward Luce and Khozem Merchant

Merck, the US pharmaceuticals company, yesterday set a new record with the lowest coupon ever offered on a 30-year corporate bond issue. The $500m bond, lead-managed by J.P. Morgan, had a coupon of 5.95 per cent – a spread of 75 basis points over the US Treasury benchmark.

This was a significantly lower coupon than the previous record, which was also set by Merck, in 1996, when it issued a 30-year bond with a coupon of 6.30 per cent.

BankAmerica Corp, the group formed by the merger of NationsBank and Bank of America in September, made its debut in the sterling market. The £250m issue was priced to yield a relatively generous spread of 125 basis points over the 10-year gilt benchmark. It tightened by 2 basis points.

Elsewhere, the euro-convertible market continued its revival with a DM279m debut from Belgian glass company Glaverbel. Proceeds from the issue, which follows recent convertibles by KBC, the Belgian bank, and France Telecom, will refinance the $334m acquisition of PPG's European glass division.

The success of last week's $250m issue by Oscar funding, an SPV for Orico, the Japanese consumer finance house, is expected to stimulate more Japanese asset-backed issues before the year-end. The deal, led by DKBI, was the first Japanese international ABS since Japan Leasing went into receivership in September.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Merrill Lynch & Co	300	5.75	99.174R	Dec 2003	0.35R	+128(Nov03)	Merrill Lynch Intl
■ D-MARKS							
Glaverbel(a)§	279	1.625	62.6-67.7	Dec 2018	2.50	-	Deutsche Bank
■ STERLING							
BankAmerica Corp	250	6.125	99.717R	Dec 2010	0.45R	+125(Oct08)	BA/Royal Bk of Scotland
■ SWISS FRANCS							
Abbey Natl Trsy Services(b)	150	2.00	101.30	Aug 2001	1.50	-	CSFB
■ EUROS(e)							
Banca Bergamo-Varesino‡	300	(c)	99.77R	Dec 2003	0.175R	-	JP Morgan Securities
■ GREEK DRACHMA							
World Bank	14.5bn	6.45‖	100.00	Dec 2003	0.25	-	Goldman Sachs Intl

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Fixing expected on Thursday. Indicated conversion premium: 20-25% and yield: 4-4.5%. Callable from 2/12/01 subject to 130% hurdle. Puttable on 2/12/06, 08, 10, 12, 14 & 2016 at accreted value. b) Fungible with SFr850m. Plus 123 days accrued. c) 3-mth Libor +20bp. e) Payments in Ecu prior to Emu. ‖ Long 1st coupon.

S&P to expand Asia analysis

By Khozem Merchant

Standard & Poor's, the international credit rating agency, is to expand its Asia-Pacific coverage by setting up a dedicated team of sovereign credit analysts based in Singapore.

S&P's sovereign analysis of Asian emerging markets has been carried out in London and New York and the expansion is seen as a response to the Asia crisis.

S&P and its main rivals, Moody's Investors Service and Fitch IBCA, were criticised for failing to foresee the Asian financial crisis and their dramatic response to it, which many observers said exacerbated the situation.

"This is part of a long-standing practice of moving analysts into the region but the Asia crisis has increased the sense of urgency to do something that was going to happen in any case," said David Beers of S&P in London.

S&P, which rates 78 sovereigns, has corporate and bank analysts in Singapore but the expansion, with three sovereign analysts, is the first of its kind by any of the three big agencies.

Moody's, the biggest, rates 100 sovereigns from New York. Fitch IBCA, the third largest, rates 60 sovereigns but does not have Asia analysts in the region.

Fitch IBCA has expanded over the past 18 months, concurrent with the Asian crisis, with more ratings of banks, corporates and sovereigns. In August, Moody's formed a joint venture with Korea Investors Service, a domestic agency.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Nov 23	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	108.1719	4.86	+0.01	+0.02	+0.31	-0.37
	08/08	8.750	126.9819	5.18	-0.02	+0.03	+0.20	-0.79
Austria	07/00	5.875	103.5800	3.56	-0.05	-0.07	+0.05	-0.97
	01/08	5.000	105.5900	4.25	-0.01	-0.17	-0.14	-1.38
Belgium	01/00	4.000	100.5900	3.46	-	-0.05	+0.03	-0.88
	03/08	5.750	111.1800	4.27	-	-0.13	-0.07	-1.39
Canada	12/00	5.000	100.2500	4.87	-0.01	+0.02	+0.33	+0.77
	06/08	6.000	109.1800	5.17	-0.01	-0.03	+0.09	-0.27
Denmark	11/00	9.000	109.3800	3.93	-0.04	-0.07	-0.21	-0.84
	11/07	7.000	118.3600	4.47	-0.04	-0.19	-0.23	-1.52
Finland	01/99	11.000	100.9631	2.98	+0.02	-0.12	-0.05	-1.28
	04/08	6.000	113.1530	4.27	-0.05	-0.20	-0.21	-1.48
France	07/00	4.000	100.9000	3.41	-0.04	-0.12	-	-0.98
	10/05	7.750	123.6100	3.80	-0.03	-0.12	-0.08	-1.46
	10/08	8.500	135.2000	4.10	-0.03	-0.17	-0.14	-1.42
	04/29	5.500	107.7600	5.00	-0.04	-0.19	-0.20	-1.07
Germany	06/00	4.000	100.9100	3.37	-0.08	-0.16	-0.02	-0.87
	10/05	6.500	115.2700	3.92	-0.02	-0.15	-0.10	-1.37
	07/08	4.750	105.6500	4.03	-	-0.14	-0.11	-1.49
	01/28	5.625	109.0800	5.02	-0.02	-0.17	-0.20	-1.09
Ireland	10/01	6.500	107.8500	3.60	-0.07	-0.15	-0.13	-1.78
	08/08	6.000	113.2800	4.30	-0.02	-0.14	-0.15	-1.66
Italy	04/01	4.500	101.9800	3.61	-0.03	-0.12	-0.02	-1.58
	07/03	4.500	102.9900	3.79	-0.04	-0.14	-0.13	-1.68
	05/08	5.000	105.4500	4.28	-0.02	-0.16	-0.15	-1.65
	11/27	6.500	119.3700	5.19	-0.03	-0.22	-0.24	-1.26
Japan	12/00	6.900	113.5100	0.25	-0.03	+0.02	-0.11	-0.14
	12/03	4.100	117.3100	0.62	-	+0.02	-0.08	-0.65
	06/08	1.800	107.9200	0.93	-	+0.05	+0.03	-0.87
	03/18	2.700	117.8800	1.62	-	+0.12	+0.15	-1.04
Netherlands	06/00	9.000	107.8000	3.40	-0.09	-0.13	-0.03	-0.95
	07/08	5.250	108.7900	4.12	-	-0.16	-0.09	-1.37
New Zealand	02/01	8.000	106.0312	5.03	-	-0.28	-0.34	-1.91
	07/09	7.000	111.0137	5.61	+0.05	-0.03	+0.06	-1.01
Norway	01/99	9.000	100.1000	7.82	-0.03	-0.12	+0.14	+3.42
	01/07	6.750	109.0000	5.35	-0.07	-0.10	-0.15	-0.34
Portugal	03/00	5.375	102.2700	3.56	-0.03	-	+0.03	-1.34
	06/08	5.375	107.7700	4.36	+0.01	-0.14	-0.12	-1.54
Spain	04/00	6.750	104.3300	3.45	-	-0.07	+0.01	-1.28
	01/09	6.000	112.4000	4.33	-0.02	-0.15	-0.16	-1.50
Sweden	05/00	10.250	108.8380	3.76	-0.02	-0.05	-0.42	-1.38
	05/08	6.500	115.6859	4.42	-0.05	-0.22	-0.33	-1.82
Switzerland	06/00	4.500	104.5000	1.49	+0.03	-0.01	+0.19	-0.60
	01/08	4.250	114.3500	2.47	-	-0.09	-0.29	-1.08
UK	11/01	7.000	105.0100	5.15	-0.04	-0.13	-0.17	-1.88
	12/03	6.500	107.5200	4.80	-0.05	-0.15	-0.25	-1.86
	10/08	9.000	132.5200	4.82	-0.04	-0.13	-0.39	-1.72
	12/28	6.000	122.7300	4.60	+0.02	+0.01	-0.41	-1.88
US	09/00	4.500	99.8205	4.60	-0.08	-0.04	+0.46	-1.11
	08/03	5.250	102.6318	4.62	-0.05	+0.01	+0.35	-1.21
	05/08	5.625	105.7434	4.86	-0.01	-0.05	+0.19	-0.95
	08/28	5.500	103.4250	5.27	+0.01	-0.05	+0.10	-0.80
ECU	07/00	4.000	100.7900	3.48	-0.02	-0.10	-	-1.22
	04/08	5.250	109.7000	4.11	-0.02	-0.18	-0.15	-1.57

London closing. * New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard. Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Nov 23	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.19	+1.20	+0.36
Austria	4.20	+0.21	-0.63
Belgium	4.30	+0.31	-0.53
Canada	5.17	+1.18	+0.34
Denmark	4.43	+0.44	-0.40
Finland	4.33	+0.34	-0.50
France	4.11	+0.12	-0.72
Germany	3.99	-	-0.84
Ireland	4.32	+0.33	-0.51
Italy	4.38	+0.39	-0.45
Japan	0.95	-3.04	-3.88
Netherlands	4.09	+0.10	-0.74
New Zealand	5.61	+1.62	+0.78
Norway	5.35	+1.36	+0.52
Portugal	4.36	+0.37	-0.47
Spain	4.44	+0.45	-0.39
Sweden	4.45	+0.46	-0.38
Switzerland	2.56	-1.43	-2.27
UK	4.83	+0.84	-
US	4.83	+0.84	-
ECU	4.17	+0.18	-0.66

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Nov 23	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB-	91.9453	9.95	-0.04	-2.20	+5.35
Poland	07/04	7.125	BBB-	103.8018	6.29	-0.03	-0.01	+1.65
Russia	06/07	10.000	n/a	32.5000	35.46	-7.39	-10.82	+30.68
■ LATIN AMERICA								
Argentina	09/27	9.750	BB	90.7500	10.79	-0.29	-0.63	+5.56
Brazil	05/27	10.125	BB-	77.1560	13.23	-0.11	-1.42	+8.00
Mexico	05/26	11.500	BB	109.0000	10.49	+0.02	-0.60	+5.28
■ ASIA								
China	07/06	7.750	BBB+	104.2487	7.00	-0.06	-1.65	+2.27
Philippines	10/16	8.750	BB+	93.8954	9.48	-0.05	-1.32	+4.46
Thailand	04/07	7.750	BBB-	93.4265	8.88	-0.02	-1.76	+4.10
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB-	104.3741	6.25	-0.20	-0.53	+1.62
South Africa	10/06	8.375	BB+	88.0198	10.69	+0.04	-0.54	+5.98
Turkey	09/07	10.000	B	94.0000	11.09	-0.19	-2.68	+6.31
■ BRADY BONDS								
Argentina	03/23	5.750	BB	73.2500	8.64	-0.09	-0.39	+3.50
Brazil	04/14	5.000	BB-	67.7500	12.20	-0.26	-0.75	+7.24
Mexico	12/19	6.250	BB	78.6250	8.43	-0.07	-0.36	+3.37
Venezuela	03/20	6.750	B+	67.3750	10.65	-0.12	-0.35	+5.57

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.06	110.28	+0.28	110.34	110.02	40,772	86,506

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Dec (Calls)				Dec (Puts)			
108	2.08	-	-	-	0.01	-	-	-
109	1.11	-	-	-	0.04	-	-	-
110	0.35	-	-	-	0.28	-	-	-
111	0.05	-	-	-	0.98	-	-	-

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	113.67	113.68	-0.05	114.05	113.64	331,888	561,919
Mar	114.30	114.05	-0.05	114.33	114.05	8,728	41,310

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
11350	0.46	1.20	1.42	0	0.36	0.57
11400	0	0.88	1.13	0.04	0.53	0.78
11450	0	0.62	0.87	0.54	0.77	1.02

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	246,741
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	25,348

■ NOTIONAL LFB SWAP FUTURES (LIFFE) 5yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	50	1085
Mar	-	[illegible]	[illegible]	-	-	0	0

■ NOTIONAL LFB SWAP FUTURES (LIFFE) 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	60	1360
Mar	-	[illegible]	[illegible]	-	-	0	0

Also traded on APT. All Open interest figs. are for previous day

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
11200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
11250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
11300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

[illegible]

■ NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls			Puts		
11600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
11650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
11700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	-	106.45	+0.67	-	-	40	304

US CORPORATE BONDS

Nov 20	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA-	106.0523	5.37	-0.06	+0.12	+0.77
NY Tel	08/25	7.00	A+	102.1687	6.81	-0.06	-0.05	+1.60
CWE	05/08	8.00	BBB	114.0133	6.03	-0.08	-0.01	+1.22
■ FINANCIALS								
GECC	05/07	8.75	AAA	120.5039	5.67	-0.08	+0.24	+0.86
Banc One	08/02	7.25	A	105.4783	5.58	-0.06	+0.12	+0.98
CNA Fin	01/18	6.95	A-	93.8907	7.57	-0.10	+0.35	+2.38
■ INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.1303	5.81	-0.03	+0.27	+1.47
Wal Mart	05/02	6.75	AA	105.3161	5.06	-0.04	+0.15	+0.46
Dayton Hud	06/21	9.70	A-	133.7602	6.76	-0.07	-0.05	+1.55
■ AGENCIES								
FHLMC	04/07	7.14	N/A	112.3151	5.30	-0.13	+0.01	+0.49
SLMA	03/00	7.50	N/A	102.9882	5.07	-0.09	+0.34	+0.43
FNMA	02/18	8.95	N/A	137.5217	5.70	-0.10	-0.25	+0.49
FFCB	06/06	8.95	N/A	122.9303	5.22	-0.18	-0.02	+0.41
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	101.7500	0.00	-	-	-
AK Stl	12/01	9.13	BB-	106.2500	0.00	-	-	-
Pacalta	06/04	10.75	B-	87.0000	0.00	-	-	-

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Close		Treasury Bills and Bond Yields			
Prime rate	8	One month	-	Two year	4.63
Broker loan rate	6¼	Two month	-	Three year	4.59
Fed.funds	4⅞	Three month	4.50	Five year	[illegible]
Fed.funds at intervention	-	Six month	4.57	10-year	4.80
		One year	4.52	30-year	5.18

INTERNATIONAL BONDS

Nov 23	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	110.0000	4.28	-0.01	-0.05	+0.23
Spain	01/07	5.750	AA	109.7354	4.30	-0.01	-0.06	+0.25
Philip Morris	03/04	5.375	A	104.3000	4.44	-0.04	-0.09	[illegible]
Finland FRN	09/02	3.531	AA	100.5472	2.97	-0.07	-0.13	-0.57
■ EURO FFR								
Austria	01/04	5.500	AAA	107.4900	3.86	-0.11	-0.08	+0.13
Abbey Nat	02/04	6.000	AA	109.4800	3.95	-0.06	-0.09	+0.22
Cred Foncier	02/04	8.125	A	122.6200	4.21	-0.05	-0.10	+0.48
3CIF FRN	12/01	3.617	AA-	99.8860	3.40	-0.05	-0.05	-0.10
■ EURO LIRA								
EIB	02/07	7.000	AAA	118.1900	4.32	-0.04	-0.07	+0.04
Abbey Nat	02/02	6.800	AA	108.8000	3.85	-0.08	-0.08	+0.09
Walt Disney	05/00	8.625	A	106.9700	3.93	-0.03	-0.08	+0.27
EIB FRN	03/01	4.743	AAA	100.0412	3.41	-0.03	-0.05	-0.26
■ EURO £								
EIB	12/07	7.625	AAA	115.3700	5.43	-0.03	-0.40	+0.66
Dresdner Bk	12/07	7.750	AA-	107.4940	6.62	-0.06	-0.47	+1.85
British Gas	03/00	7.625	A+	101.7081	6.22	-0.08	-0.28	+0.87
Abbey Nat FRN	02/02	7.136	AA	100.1549	4.98	-0.07	-0.27	+0.03
■ EURO $								
EIB	04/07	7.250	AAA	112.4200	5.37	-	+0.11	+0.59
ABN Amro	08/07	7.125	AA-	104.0838	6.48	+0.01	+0.28	+1.70
Quebec	01/07	7.000	A+	107.1778	5.88	+0.02	+0.34	+1.10
Citicorp FRN	02/04	5.750	A+	96.3821	6.57	-0.01	+0.35	+1.93
■ EURO C$								
Bayer L-Bk	08/04	9.500	AAA	119.1079	5.50	-	+0.13	+0.17
Toronto	05/04	8.500	AA+	114.1805	5.44	-	+0.13	+0.11
Bell Canada	07/99	10.625	A+	103.1441	5.31	-0.01	+0.38	+0.96
Deutsche B FRN	09/02	5.875	AA+	101.0865	5.55	-	+0.29	+0.31
■ EURO YEN								
World Bank	03/02	5.250	AAA	116.0267	0.38	-	-0.09	-0.15
Spain	03/02	5.750	AA	117.5598	0.42	-	-0.05	-0.11
Cred Foncier	08/02	4.750	A	113.8756	0.92	-	-0.02	+0.39
Italy FRN	07/99	0.461	AA	100.0788	0.18	-0.03	+0.16	-0.02

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Mon Nov 23	Day's change %	Fri Nov 20	Accrued interest	xd adj. ytd
1 Up to 5 years (17)	121.73	0.09	121.62	2.53	8.77
2 5-15 years (19)	173.63	0.15	173.36	3.25	8.92
3 Over 15 years (4)	228.49	-0.11	228.74	5.32	8.20
4 Irredeemables (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks (44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

UK Indices

	Low coupon yield Nov 23	Nov 20	Yr. ago	Medium coupon yield Nov 23	Nov 20	Yr. ago	High coupon yield Nov 23	Nov 20	Yr. ago
5 yrs	4.92	4.97	6.68	4.98	5.02	6.77	4.96	4.98	6.81
15 yrs	4.67	4.66	6.50	4.83	4.83	6.51	4.91	4.90	6.59
20 yrs	4.66	4.62	6.50	4.81	4.80	6.49	4.91	4.90	6.59
Irred.†	4.91	4.90	6.59						

Index-linked

							Inflation 5% Nov 23	Nov 20	Yr. ago	Inflation 10% Nov 23	Nov 20	Yr. ago
6 Up to 5 years (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Up to 5 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 Over 5 years (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Over 5 yrs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]							

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

Bank merger talk pushes up dollar

MARKETS REPORT

By Alan Beattie

A wave of equity market exuberance prompted by merger speculation pushed the dollar higher against the D-Mark yesterday, with sterling valiantly trying to keep up.

Most of the limelight was taken by firming news of a planned takeover of US finance house Bankers' Trust by Deutsche Bank.

The possibility of multi-billion dollar inflows in otherwise thin and uninspired markets helped the dollar at one stage to a two-month high against the D-Mark.

The dollar also received some support from renewed concern about a US attack on Iraq and an apparent case of pneumonia suffered by Boris Yeltsin, the Russian President.

The US currency finished in London trading yesterday at DM1.704, higher than its close of DM1.689 at the end of last week. With Japanese markets closed for a public holiday there was little action in dollar-yen, the pair finishing little changed at Y121.0.

Although sterling also rose against the DMark, finishing higher at DM2.817, it could not quite keep pace with the surging dollar, against which it finished at $1.653, down from $1.657 on Friday.

■ Of the various factors supporting the dollar yesterday, takeover speculation attracted most attention in the currency markets.

The myriad of ways that international mergers can be financed means such bids do not necessarily have direct implications for the foreign exchange markets.

But the news helped a general wave of equity market optimism in the US, which itself could remove the need for further interest rate cuts by the Federal Reserve and hence strengthen the dollar. The dollar-D-Mark rate correlates well with the performance of US equities.

Paul Meggyesi, currency strategist at Deutsche Bank, said that while the merger talk involving his employer had played a part in the day's gains for the dollar, there were plenty of other reasons to take a bullish view of the US currency.

"The flurry of activity in the dollar has not come out of the blue," said Mr Meggyesi. "Better news for the emerging market currencies and a return of risk appetite has made it easier for the US to fund its current account deficit."

Mr Meggyesi thought that in fact more equity purchase-related flows had gone from the US to Europe over the past year than the other way. "For obvious reasons, the financial services sector is something of an exception," he said.

He thought that the rise in sterling was "a bit surprising" and rather harder to justify in terms of fundamentals. "Eighty or ninety per cent of the rise of sterling against the D-Mark is just coat-tailing the dollar-D-Mark rise," said Mr Meggyesi.

In contrast to the US, the UK economy was "slowing dramatically" and it would be hard to see sustained gains for sterling against the D-Mark, he added.

■ Returning investor confidence also helped emerging market currencies yesterday, despite the resignation of three senior Brazilian politicians accused of corruption.

"With Japan on holiday, the market was looking for something to give it direction, and it found the rise in the Dow," said Tim Fox, treasury economist at Standard Chartered in London.

"The markets want to hear good news about emerging markets, and so they will give it credit," said Mr Fox.

The Korean won had a particularly good day, breaking through the SKr1250 level to close 1.5 per cent up against the dollar.

"Asia is beginning to settle down," said Richard Gray, emerging markets analyst at Bank of America in London.

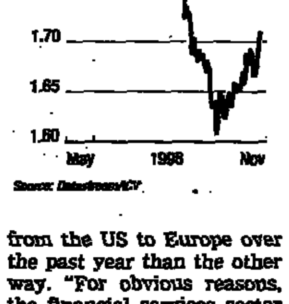
"The effect of past devaluation is benefitting exports and this explains why currencies like the won are motoring upwards."

Mr Gray added that four successful emerging market bond offerings last week, including both eastern European and Latin American issues, had proved that "the market is now deep enough to take new volume."

"The Brazil news was unfortunate but came against an overwhelming backdrop of good news," he said.

Dollar

Against the D-Mark (DM per $)



Source: Datastream/ICV

■ POUND IN NEW YORK

Nov 23	—Latest—	— Prev. close —
£ spot	1.6570	1.6565
1 mth	1.6544	1.6540
3 mth	1.6505	1.6500
1 yr	1.6379	1.6375

■ OTHER CURRENCIES

Nov 23	£	$
Czech Rp	50.6215 - 50.7103	30.6370 - 30.6740
Hungary	363.093 - 363.506	219.750 - 219.880
Iran	4959.60 - 4956.90	3000.00 - 3000.00
Kuwait	0.5005 - 0.5014	0.3029 - 0.3033
Peru	5.1056 - 5.1177	3.0900 - 3.0920
Poland	5.7401 - 5.7496	3.4740 - 3.4780
Russia	29.9065 - 30.2536	18.1000 - 18.3000
U.A.E.	6.0686 - 6.0724	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Nov 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.8201	+0.1367	100 - 301	19.8970	19.7192	19.7817	3.5	19.6583	3.3	19.3023	2.8	103.4
Belgium	(BFr)	58.1107	+0.403	618 - 596	58.3220	57.8060	57.9456	3.4	57.6429	3.2	56.5841	2.6	103.5
Denmark	(DKr)	10.7087	+0.0743	034 - 159	10.7510	10.6559	10.6883	2.4	10.6442	2.4	10.4932	2.0	107.3
Finland	(FM)	8.5679	+0.0616	614 - 743	8.5980	8.5120	8.5428	3.5	8.4994	3.2	8.3448	2.6	82.5
France	(FFr)	9.4471	+0.0686	429 - 513	9.4826	9.3937	9.4205	3.4	9.3707	3.2	9.1959	2.7	16.80
Germany	(DM)	2.8169	+0.0194	155 - 182	2.8286	2.8014	2.8085	3.6	2.7947	3.2	2.7422	2.7	14.91
Greece	(Dr)	472.530	+3.629	260 - 799	474.227	467.858	474.322	-4.6	477.811	-4.3	490.146	-3.7	62.1
Ireland	(I£)	1.1339	+0.0083	316 - 361	1.1371	1.1252	1.1309	3.2	1.1252	3.1	1.1049	2.6	95.1
Italy	(L)	2789.02	+19.56	743 - 060	2799.78	2773.75	2781.78	3.1	2767.37	3.1	2716.89	2.6	76.2
Luxembourg	(LFr)	58.1107	+0.403	618 - 596	58.3220	57.8060	57.9456	3.4	57.6429	3.2	56.5841	2.6	103.3
Netherlands	(Fl)	3.1759	+0.0216	742 - 776	3.1884	3.1592	3.1663	3.6	3.1494	3.3	3.0908	2.7	102.8
Norway	(NKr)	12.3845	+0.0226	807 - 883	12.4448	12.3379	12.3983	-1.3	12.4215	-1.2	12.4429	-0.5	94.0
Portugal	(Es)	289.074	+2.201	872 - 277	290.011	286.481	288.247	3.4	286.763	3.2	281.509	2.6	92.6
Spain	(Pta)	239.608	+1.77	501 - 714	240.410	237.710	239.009	3.0	237.87	2.9	233.508	2.5	77.4
Sweden	(SKr)	13.3932	+0.0017	813 - 051	13.4744	13.3351	13.358	3.3	13.2928	3.0	13.0717	2.4	80.0
Switzerland	(SFr)	2.3221	+0.0184	207 - 234	2.3348	2.3084	2.3114	5.6	2.2914	5.3	2.2199	4.4	107.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	101.6
Ecu	-	1.4326	+0.0097	313 - 338	1.4381	1.4219	1.4291	2.9	1.4219	3.0	1.3956	2.6	-
SDR	-	1.195496	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6525	-0.0033	520 - 529	1.6561	1.6443	-	-	-	-	-	-	-
Brazil	(R$)	1.9783	-0.0009	776 - 790	1.9811	1.9672	-	-	-	-	-	-	-
Canada	(C$)	2.5570	-0.005	554 - 585	2.5622	2.5433	2.553	1.9	2.5457	1.8	2.525	1.3	75.7
Mexico	(New Peso)	16.3366	-0.0636	264 - 468	16.3887	16.3049	16.6998	-26.7	17.4435	-27.1	20.4057	-24.9	-
USA	($)	1.6528	-0.0038	523 - 532	1.6571	1.6452	1.6502	1.9	1.6462	1.6	1.6338	1.2	107.1
Pacific/Middle East/Africa													
Australia	(A$)	2.5770	+0.0036	753 - 787	2.5911	2.5694	2.5726	2.0	2.5644	2.0	2.5414	1.4	81.7
Hong Kong	(HK$)	12.7978	-0.0277	934 - 021	12.8301	12.7386	12.78	1.7	12.7728	0.8	12.941	-1.1	-
India	(Rs)	70.1097	-0.1219	740 - 453	70.2310	69.7850	70.2485	-2.4	70.9258	-4.7	75.0376	-7.0	-
Indonesia	(Rupiah)	12436.97	-28.97	094 - 299	12542.90	12325.80	12872.42	-42.0	13765.62	-42.7	16489.46	-32.4	-
Israel	(Shk)	6.9022	-0.0336	879 - 165	6.9807	6.8740	-	-	-	-	-	-	-
Japan	(Y)	199.986	+0.76	829 - 103	201.130	199.100	198.796	7.0	196.596	6.7	188.131	5.9	126.2
Malaysia	(M$)‡	6.2806	-0.0145	720 - 789	6.2806	6.2806	-	-	-	-	-	-	-
New Zealand	(NZ$)	3.1012	+0.0148	983 - 040	3.1046	3.0822	3.093	3.2	3.0796	2.8	3.0587	1.4	91.5
Philippines	(Peso)	65.6143	+0.0957	311 - 974	65.8190	65.4012	66.0581	-8.1	67.0059	-8.5	70.9387	-8.1	-
Saudi Arabia	(SR)	6.1988	-0.0145	968 - 008	6.2150	6.1708	6.1942	0.9	6.1893	0.6	6.1684	0.2	-
Singapore	(S$)	2.7047	+0.0077	023 - 071	2.7103	2.6889	2.693	5.2	2.6734	4.8	2.6254	2.9	-
South Africa	(R)	9.3963	+0.0737	875 - 051	9.4110	9.2937	9.4815	-10.9	9.654	-11.0	10.3945	-10.6	-
South Korea	(Won)	2058.58	-35.44	381 - 318	2099.81	2046.63	-	-	-	-	-	-	-
Taiwan	(T$)	53.5946	-0.1174	775 - 116	53.7349	53.3522	53.5771	0.4	53.5477	0.4	53.5911	0.0	-
Thailand	(Bt)	59.7469	-0.0564	480 - 458	60.0230	59.5450	59.7943	-1.0	59.9585	-1.4	61.3518	-2.7	-

† Rates for Nov 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	11.9922	+0.1104	893 - 950	12.0340	11.9050	11.9755	1.7	11.9437	1.6	11.8107	1.5	103.3
Belgium	(BFr)	35.1800	+0.325	400 - 800	35.2700	34.9500	35.11	1.7	35.015	1.6	34.62	1.5	103.5
Denmark	(DKr)	6.4799	+0.0599	779 - 819	6.5024	6.4329	6.4779	0.4	6.4661	0.8	6.4219	0.9	106.4
Finland	(FM)	5.1840	+0.0492	815 - 865	5.1985	5.1440	5.1771	1.6	5.1627	1.6	5.1065	1.5	82.0
France	(FFr)	5.7160	+0.0535	150 - 170	5.7345	5.6723	5.708	1.7	5.6921	1.7	5.6261	1.6	106.6
Germany	(DM)	1.7044	+0.0157	040 - 047	1.7105	1.6916	1.702	1.7	1.6975	1.6	1.6778	1.6	104.7
Greece	(Dr)	285.905	+2.855	820 - 990	286.780	282.950	287.58	-6.9	290.105	-5.9	299.98	-4.9	62.0
Ireland	(I£)	1.4577	-0.0141	552 - 602	1.4720	1.4540	1.4594	-1.4	1.4631	-1.5	1.4791	-1.5	-
Italy	(L)	1687.50	+15.72	700 - 800	1693.35	1674.80	1685.45	1.5	1680.97	1.5	1661.95	1.5	76.1
Luxembourg	(LFr)	35.1800	+0.325	400 - 800	35.2700	34.9200	35.11	1.7	35.015	1.6	34.62	1.5	103.5
Netherlands	(Fl)	1.9216	+0.0175	211 - 221	1.9285	1.9085	1.9184	2.0	1.913	1.8	1.8908	1.6	102.9
Norway	(NKr)	7.4933	+0.0311	930 - 935	7.5277	7.4527	7.514	-3.3	7.5423	-2.6	7.6056	-1.5	91.7
Portugal	(Es)	174.905	+1.735	830 - 980	175.350	173.800	174.686	1.5	174.183	1.7	172.236	1.5	93.3
Spain	(Pta)	144.975	+1.405	950 - 000	145.370	143.850	144.847	1.1	144.495	1.3	142.89	1.4	77.3
Sweden	(SKr)	8.1036	+0.0199	986 - 086	8.1490	8.0555	8.094	1.4	8.0749	1.4	7.9996	1.3	80.9
Switzerland	(SFr)	1.4050	+0.0144	045 - 054	1.4122	1.3930	1.4003	4.0	1.3922	3.6	1.3596	3.2	107.6
UK	(£)	1.6528	-0.0038	523 - 532	1.6571	1.6452	1.6501	2.0	1.6462	1.6	1.6334	1.2	100.1
Ecu	-	1.1537	-0.0106	530 - 544	1.1618	1.1500	1.1548	-1.2	1.158	-1.5	1.171	-1.5	-
SDR	-	0.71916	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0003	998 - 998	0.9999	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	1.1970	+0.0022	969 - 971	1.1977	1.1960	-	-	-	-	-	-	-
Canada	(C$)	1.5471	+0.0006	466 - 476	1.5494	1.5453	-	-	1.5463	0.2	1.5454	0.1	75.4
Mexico	(New Peso)	9.8845	-0.0155	810 - 880	9.8890	9.8770	10.1345	-30.4	10.5945	-28.7	12.4085	-25.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	107.9
Pacific/Middle East/Africa													
Australia	(A$)	1.5592	+0.0058	586 - 598	1.5652	1.5576	1.5584	0.8	1.5558	0.9	1.5451	0.9	81.7
Hong Kong	(HK$)	7.7430	+0.0012	428 - 438	7.7445	7.7425	7.744	-0.1	7.7595	-0.8	7.9073	-2.1	-
India	(Rs)	42.4200	+0.025	100 - 300	42.4450	42.2850	42.5925	-4.9	43.08	-6.2	45.9725	-8.4	-
Indonesia	(Rupiah)	7525.00	-	500 - 500	7585.00	7465.00	7800	-43.9	8325	-42.5	10050	-33.6	-
Israel	(Shk)	4.1762	-0.0106	687 - 837	4.2269	4.1652	-	-	-	-	-	-	-
Japan	(Y)	120.990	+0.74	940 - 040	121.700	120.200	120.465	5.2	119.415	5.2	115.145	4.8	127.9
Malaysia	(M$)‡	3.8000	-	300 - 300	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8763	+0.0132	751 - 776	1.8790	1.8688	1.8794	-2.0	1.8848	-1.8	1.9036	-1.5	-
Philippines	(Peso)	39.7000	+0.15	000 - 000	39.8500	39.5500	40.031	-10.0	40.7035	-10.1	43.4235	-9.4	-
Saudi Arabia	(SR)	3.7506	-	504 - 508	3.7512	3.7502	3.7536	-1.0	3.7594	-0.9	3.7881	-1.0	-
Singapore	(S$)	1.6365	+0.0085	355 - 375	1.6390	1.6235	1.6319	3.4	1.6241	3.0	1.607	1.8	-
South Africa	(R)	5.6853	+0.0578	815 - 890	5.6915	5.6130	5.7496	-13.6	5.8613	-12.4	6.3578	-11.8	-
South Korea	(Won)	1245.50	-18.5	300 - 800	1268.00	1234.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.4275	+0.0045	280 - 290	32.4600	32.4150	32.4875	-2.2	32.5475	-1.5	32.8625	-1.3	-
Thailand	(Bt)	36.1500	+0.05	000 - 000	36.2500	36.0800	36.305	-1.8	36.39	-2.7	37.45	-3.6	-

† SDR rate per $ for Nov 19. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 5.43 MYR/USD, a discount of 30% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 20: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

The exchange rates printed in this table are also available on the internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.43	16.26	4.848	1.951	4799	5.465	21.31	497.5	412.3	23.05	3.998	1.721	4.400	2.844	344.1	2.465
Denmark	(DKr)	54.26	10	8.821	2.630	1.059	2604	2.965	11.56	269.9	223.7	12.51	2.168	0.934	2.388	1.543	186.7	1.338
France	(FFr)	61.51	11.34	10	2.982	1.200	2952	3.362	13.11	306.0	253.6	14.18	2.458	1.059	2.707	1.749	211.7	1.516
Germany	(DM)	20.63	3.802	3.354	1	0.403	990.1	1.127	4.396	102.6	85.06	4.755	0.824	0.355	0.908	0.587	70.99	0.509
Ireland	(I£)	51.25	9.446	8.332	2.485	1	2460	2.801	10.92	255.0	211.3	11.81	2.048	0.882	2.255	1.458	176.4	1.264
Italy	(L)	2.084	0.384	0.339	0.101	0.041	100	0.114	0.444	10.36	8.591	0.480	0.083	0.036	0.092	0.059	7.170	0.051
Netherlands	(Fl)	18.30	3.372	2.975	0.887	0.357	878.2	1	3.900	91.02	75.44	4.217	0.731	0.315	0.805	0.520	62.96	0.451
Norway	(NKr)	46.92	8.648	7.628	2.275	0.916	2252	2.564	10	233.4	193.5	10.81	1.875	0.807	2.065	1.335	161.5	1.157
Portugal	(Es)	20.10	3.705	3.268	0.974	0.392	964.8	1.099	4.284	100	82.89	4.633	0.803	0.346	0.885	0.572	69.17	0.496
Spain	(Pta)	24.25	4.470	3.943	1.176	0.473	1164	1.325	5.169	120.6	100	5.590	0.969	0.417	1.067	0.690	83.46	0.598
Sweden	(SKr)	43.39	7.996	7.054	2.103	0.847	2082	2.371	9.247	215.8	178.9	10	1.734	0.747	1.909	1.234	149.3	1.070
Switzerland	(SFr)	25.02	4.612	4.068	1.213	0.488	1201	1.368	5.333	124.5	103.2	5.768	1	0.431	1.101	0.712	86.11	0.617
UK	(£)	58.11	10.71	9.447	2.817	1.134	2789	3.176	12.38	289.1	239.6	13.39	2.322	1	2.557	1.653	200.0	1.433
Canada	(C$)	22.73	4.188	3.695	1.102	0.443	1091	1.242	4.843	113.1	93.71	5.238	0.908	0.391	1	0.646	78.20	0.560
USA	($)	35.16	6.480	5.716	1.704	0.686	1688	1.922	7.493	174.9	145.0	8.104	1.405	0.605	1.547	1	121.0	0.867
Japan	(Y)	29.06	5.356	4.724	1.409	0.567	1395	1.588	6.193	144.6	119.8	6.698	1.161	0.500	1.279	0.827	100	0.716
Ecu	-	40.56	7.476	6.595	1.966	0.791	1947	2.217	8.645	201.8	167.3	9.349	1.621	0.698	1.785	1.154	139.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5910	0.5858	-0.0056	0.5919	0.5850	24,215	96,731
Mar	0.5926	0.5884	-0.0054	0.5875	0.5875	275	1,968
Jun	-	0.5959	-	-	-	-	1,170

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8305	0.8267	-0.0087	0.8347	0.8245	18,580	76,324
Mar	0.8405	0.8362	-0.0083	0.8405	0.8359	316	5,101
Jun	-	0.8544	-	-	-	7	3,344

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7182	0.7105	-0.0081	0.7192	0.7093	12,495	42,045
Mar	0.7200	0.7170	-0.0080	0.7200	0.7157	55	498
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6452	1.6516	-0.0026	1.6554	1.6424	9,651	51,787
Mar	1.6450	1.6452	-0.0028	1.6480	1.6400	121	1,819
Jun	-	1.6400	-0.0025	-	1.6400	-	1,202

WORLD INTEREST RATES

MONEY RATES

Nov 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	3.69
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.50	5.00	5.12
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.74	4.80	4.79	4.78	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate fixed at 11am. Bid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	4 - [illegible]	4 - [illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	5 - [illegible]	5 - [illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	5 - [illegible]	[illegible]	[illegible] - 5	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	1 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3 - [illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.62	96.645	+0.055	96.645	96.605	2,530	40,728
Mar	96.66	96.690	+0.045	96.695	96.660	1,482	24,441

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	96.535	96.550	+0.030	96.550	96.535	340	7235
Mar	96.595	96.665	+0.065	96.670	96.595	74266	496408
Jun	96.660	96.715	+0.065	96.725	96.645	34636	372173
Sep	96.665	96.715	+0.060	96.725	96.655	24616	283397

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

ZINC STUDY SAYS NAMIBIA GDP TO RISE 5%

Skorpion to be biggest African mine

By Kenneth Gooding, Mining Correspondent

The scene was set yesterday for development of the Skorpion zinc mining complex in Namibia, destined to be the biggest zinc producer in Africa and one of the top 10 by output in the world.

Skorpion's annual output of 150,000 tonnes of refined zinc should also add about 5 per cent to Namibia's gross domestic product, according to a feasibility study published yesterday.

Shares in Reunion Mining, the London listed company that is earning a 60 per cent share of the project, jumped nearly 30 per cent, or 8p, to 36p after details of the study – by Bateman Minerals and audited by Steffen Robertson Kirsten – were released.

They showed that, according to the Brook Hunt consultancy, the Skorpion integrated mine and refinery should be the lowest-cost producer in the world, with cash operating costs of 23 cents a pound ($507 a tonne) compared with an industry average of 40 cents. Capital costs are projected at $279m and total costs, including financing charges, at $325m.

Reunion was founded in 1989 by geologists, Andrew Woollett, 40, chairman, and his partner Nick Graham, 47, managing director.

Skorpion, situated inside the diamond area known as the "forbidden zone" of Namibia's Skeleton Coast, was discovered in 1976 by a unit of Anglo American Corporation of South Africa.

Anglo completed drilling and metallurgical test work for several years but failed to release the zinc from the ore. However, after it learned of Reunion's success in treating similar ore at the Sanyati copper project in Zimbabwe, Anglo offered a deal. Reunion could earn 60 per cent of the project by spending $1m and committing to develop the mine.

Reunion has worked with Tecnicas Reunidas of Spain, which has 25 years experience of zinc solvent extraction, and Union Minièere of Belgium, the world's biggest supplier of automated zinc tank-houses, to perfect the zinc extraction process.

Mr Woollett said yesterday: "The exceptional profitability of the Skorpion project greatly increases the means by which we may raise, with the minimum of dilution to shareholders, our share of the development costs. Options include the introduction of a strategic corporate partner, the sale of a small interest in the project or an off-take agreement with a potential consumer."

Skorpion negotiated a low tax (12½ per cent) and royalty (1.2 per cent) package for the project.

At present Skorpion has an expected life of 14 years but Mr Woollett said hardly any systematic exploration of the surrounding area had been done so far.

European potato prices rise sharply

By Paul Solman

Potato prices have risen sharply in Europe as heavy rain in producing regions has hit supplies from key regions in the UK, the Netherlands and Germany.

UK farm prices for potatoes are around twice those at this time last year, and potato futures on the London International Financial Futures and Options Exchange have more than doubled since late October.

"Poor weather conditions have made the harvest late. In the UK 13,000 hectares of potatoes are still in the ground. Normally they'd have been delivered by now," said the British Potato Council's Rob Burrows.

"The spread between ex-farm prices has widened because of concerns about quality, and prices now vary from £60 to £250 a tonne."

According to BPC figures, the average weekly price of potatoes in mid-November was £122.51 a tonne, compared with £67.25 at the same time last year.

Liffe's March potato contract finished at £209 a tonne last week, against £80 a month ago and about £98 at this time last year.

The premium for good quality potatoes is also being felt by potato products manufacturers and retailers.

"Higher farm prices are having a big impact on us. The wet weather is affecting supplies and squeezing our margins," said Geoff Calder, managing director of PAS Grantham, which manufactures own-label potato products for supermarkets.

McCain Foods, the brand-name frozen foods producer, also said it expected its margins to be hit by the higher cost of raw materials.

"The whole market has been affected by the heavy rain, and we're being forced to pay more for quality," J. Sainsbury, the UK supermarket chain, said yesterday. "We're now looking to source potatoes from other areas such as Cyprus."

On the futures market, analysts said the delay in the potato harvest and the lower yields would continue to keep prices high.

"The rising futures price is depicting concerns about supplies during the next six months," Liffe said. "Contract volumes have also risen as producers and wholesalers look for ways to offset their risks."

Greek pistachio cultivators look to the state for help

With demand far outstripping supply, long-term organisation is needed to help fulfil the crop's potential, writes **Kerin Hope**

Take a trip to the island of Aegina and you can buy local pistachio nuts on every street corner. But only a fraction of Greece's pistachio production travels farther afield than Athens.

Aegina, Greece's best-known pistachio-growing centre, produces about 1,200 tonnes a year. Some 50 tonnes are packaged for sale in duty-free shops at Greece's international airports. Most of the remainder is sold in bulk to wholesalers from the capital.

Pistachio production in Greece has increased from 6,500 tonnes in 1994 to about 8,000 tonnes this year. The Aegina variety has been transplanted to the Attica region around Athens and to Phthiotida in central Greece. They are also grown on the Ionian island of Lefkada and the Halkidiki peninsula in northern Greece but output cannot meet demand.

Bigger disposable incomes have whetted the Greeks' appetite for pistachios, considered a luxury snack until recently. Greek supermarket chains have started to sell pistachios imported from California and Iran, the world's largest producers.

"There's a much bigger potential for pistachio cultivation in Greece than has been realised. But it has to be organised on a long-term basis," says Anna Chitzanidis, whose grandfather introduced pistachio cultivation to Aegina when he brought trees from Iran at the end of the 19th century.

Greece has about 50,000 stremmata (12,500 acres) of pistachio orchards. Yields range between 150kg and 250kg a stremma, and each tree produces a commercial crop in alternate years.

However, new growers are discouraged by the time it takes for a pistachio tree to produce. It takes seven years before nuts can be harvested and in some areas trees only come into full production after 12-15 years. Pistachios are prone to diseases and careful cultivation is needed to ensure a high percentage of nuts can be easily opened.

On Aegina, where the average orchard covers 10-20 stremmata, a sharp rise in costs has made growers reluctant to invest in improving their holdings.

The premium paid by wholesalers for pistachios from Aegina, which pushed the floor price for producers to Dr1,600 a kg this year, is not enough to offset the rise, according to growers.

"Until about 15 years ago, pistachios were a valuable cash crop that provided useful income. Now small growers are barely able to cover their costs," says Costas Papaconstantinou, chairman of the growers' co-operative.

Water is scarce and labour costs have soared. Nuts are still picked by hand before being mechanically dried and packed.

Pistachio growing on Aegina also faces competition from tourism and a services sector that caters for an increasing number of residents commuting to Athens. Many orchard-owners have become weekend farmers.

Far from receiving incentives for increasing cultivation on Aegina, growers say they are penalised. Under a programme to reduce tax evasion, the island's pistachio orchards are regarded as indicators of specific levels of income.

"Pistachio cultivation is so much part of the island's tradition people don't think of uprooting their orchards. But holdings are small and fragmented and you only make money if you do all the work yourself," says Costas Papaefstratiou, a retired banker who has cultivated a 40-stremmata orchard for more than 50 years.

"It's much more profitable to sell a piece of land for building than plant a new orchard," he says.

There is little incentive for islanders elsewhere to start growing pistachios. A steady increase in tourism has resulted in islanders earning only 25 per cent of their income from farming.

However, pistachio orchards are gradually expanding in central Greece, where there is no competition from tourism and growers have access to much bigger parcels of land. Because pistachio cultivation was included in a three-year European Union programme, funding became available for new growers.

Growers in the Phthiotida region have cut costs by using mechanical pickers and have ample water. Quality has improved and most can produce crops with only 4-5 per cent closed nuts.

"We're starting to see a group of professional pistachio producers in this region. But they need more support," says Dimos Rouskas, who runs a field station belonging to Greece's National Institute for Agricultural Research. "We have to put in place a standardisation process for the pistachio crop and some professional marketing before we can begin to think of exporting."

Rising incomes have whetted Greek appetites for pistachios

Oil falls ahead of Opec meeting

MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Paul Solman

Oil prices fell ahead of Wednesday's meeting of the Organisation of Petroleum Exporting Countries.

Brent Blend for January delivery was quoted at $11.44 a barrel in late trading on London's International Petroleum Exchange, down 24 cents on Friday's close.

The market consensus is that Opec is unlikely to cut output further, and will instead focus on tighter compliance with existing cuts, although some producers have been lobbying for additional action to lift prices.

Jumps in London Metal Exchange aluminium and copper stocks put downward pressure on prices. Macquarie Equities suggested the 5,250 tonnes rise in copper stocks was part of up to 50,000 tonnes of Chilean metal expected to arrive in LME warehouses soon.

The increase of 12,600 tonnes in aluminium stocks resulted from present market tightness that had narrowed the premium between spot and three-month prices and made financing deals off the exchange unprofitable.

"Further large deliveries into LME stocks are likely" as other deals came to an end, Macquarie suggested.

The International Confederation of European Beet Growers said it would ask growers to cut production to reduce the surplus in world sugar stocks. It lowered its European Union sugar export target to 4m tonnes in 1999/2000, compared with 5m tonnes in 1998/99.

White sugar futures remained weak on the London International Financial Futures and Options Exchange. The March contract was $244.50 a tonne in late trading, against Friday's close of $247.20.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1291-2	1300-0.5
Previous	1296-7	1303-04
High/low		1304/1295
AM Official	1294-94.5	1301-01.5
Kerb close		1298-99
Open int.	331,262	
Total daily turnover	69,430	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1073-8	1102-4
Previous	1075-80	1105-7
High/low		1105/1104
AM Official	1075-78	1104-05
Kerb close		1105-6
Open int.	7,178	
Total daily turnover	2,032	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	516-7	503
Previous	519-20	507-8
High/low		507/502
AM Official	518-18.5	506-07
Kerb close		503-4
Open int.	40,279	
Total daily turnover	13,970	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	4130-40	4200-05
Previous	4185-95	4255-60
High/low		4270/4180
AM Official	4185-90	4260-65
Kerb close		4190-85
Open int.	64,293	
Total daily turnover	9,906	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5450-60	5430-35
Previous	5495-505	5460-70
High/low		5480/5425
AM Official	5465-70	5440-50
Kerb close		5425-30
Open int.	19,004	
Total daily turnover	13,367	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	987.5-8.5	1005-6
Previous	990-1	1006-7
High/low		1010/1002
AM Official	991-92	1007.5-08.0
Kerb close		1004.5-5.0
Open int.	86,707	
Total daily turnover	30,656	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1575.5-6.5	1602-3
Previous	1589-90	1615-15.5
High/low		1613/1598
AM Official	1576.5-77	1603.5-4.5
Kerb close		1599-600
Open int.	171,953	
Total daily turnover	47,502	

■ LME AM Official £/$ rate: 1.6587
LME Closing £/$ rate: 1.6550

Spot 1.6543 3 mths 1.6479 6 mths 1.6427 9 mths 1.6413

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	70.95	-1.20	71.70	70.85	343	422
Dec	71.10	-1.10	72.40	71.00	13,289	24,252
Jan	71.45	-1.05	72.30	71.45	74	2,463
Feb	71.80	-1.05	71.80	71.70	30	1,407
Mar	72.05	-1.05	73.30	72.00	4,213	30,440
Apr	72.40	-1.00	-	-	17	1,273
Total					18,442	69,130

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	295.50-296.00		
Opening	296.20-296.50		
Morning fix	295.60	179.325	415.022
Afternoon fix	295.50	178.885	416.064
Day's High	296.30-296.60		
Day's Low	295.20-295.50		
Previous close	296.00-296.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.19	6 months	3.82
2 months	4.18	12 months	3.51
3 months	4.17		

Silver Fix	p/troy oz.	US cts equiv.
Spot	297.61	491.50

Silver Lending Rates

1 month	4.35	6 months	2.70
2 months	3.80	12 months	2.40
3 months	3.50		

Gold Coins	$ price	£ equiv.
Krugerrand	296-200	178-180
New Sovereign	69-73	41-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	297.0	+0.8	-	-	-	-
Dec	297.1	+0.7	297.2	295.7	17,747	37,008
Feb	299.1	+0.7	299.3	297.6	6,116	35,000
Apr	301.1	+0.8	301.3	299.7	617	17,000
Jun	302.9	+0.9	303.2	301.3	556	14,644
Aug	304.6	+1.0	-	308.5	113	5,976
Total					25,882	153,118

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	352.4	-5.1	355.5	351.0	2,970	12,464
Apr	352.9	-4.6	355.0	351.5	147	840
Jul	354.3	-4.6	350.0	350.0	10	207
Oct	355.6	-4.6	356.0	356.0	1	994
Total					3,128	14,506

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	281.25	-12.40	287.00	281.00	1,213	970
Mar	279.75	-12.65	286.00	279.50	1,041	2,051
Jun	277.75	-12.65	-	-	2	5
Total					2,254	3,151

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	488.6	+0.4	-	-	-	-
Dec	489.2	+0.2	491.0	486.5	17,154	29,083
Jan	491.4	+0.2	491.0	491.0	2	98
Mar	494.9	+0.5	497.0	491.5	6,222	27,587
May	498.0	+0.7	499.0	494.5	725	5,650
Jul	501.2	+1.3	502.5	497.5	503	5,777
Total					24,825	77,803

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	12.60	-0.29	13.10	12.41	64,170	130.9
Feb	12.98	-0.31	13.50	12.84	15,447	59,886
Mar	13.27	-0.37	13.72	13.24	4,850	38,825
Apr	13.67	-0.29	14.08	13.60	3,099	19,230
May	13.96	-0.30	14.20	13.95	3,058	17,319
Jun	14.10	-0.24	14.61	14.10	5,732	23,434
Total					137,270	482,975

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	11.44	-0.24	11.87	11.27	20,742	95,318
Feb	11.78	-0.17	12.20	11.68	5,681	38,797
Mar	12.10	-0.16	12.50	11.99	3,040	24,659
Apr	12.34	-0.22	12.70	12.34	1,439	20,472
May	12.64	-0.22	13.01	12.64	2,202	11,661
Jun	12.94	-0.20	13.24	12.94	3,917	19,165
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	35.00	-0.08	35.80	34.50	18,190	34,483
Jan	36.10	-0.32	37.10	35.60	13,066	52,058
Feb	37.00	-0.42	37.85	36.85	3,691	31,043
Mar	37.90	-0.27	38.00	37.35	1,987	22,001
Apr	38.20	-0.47	38.80	38.00	611	11,948
May	38.85	-0.42	39.05	36.70	645	9,245
Total					38,724	169,234

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	103.50	+0.75	107.00	103.50	9,408	50,030
Jan	108.00	+0.50	111.25	107.75	5,211	26,431
Feb	111.50	+0.25	114.75	111.50	3,239	19,324
Mar	113.75	+0.25	114.50	113.75	43	12,167
Apr	115.75	+0.25	119.00	115.50	203	7,035
May	118.00	+0.50	120.25	118.25	70	2,825
Total					18,500	156,314

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	14.460	+0.090	14.480	14.390	255	2,915
Jan	17.150	+0.060	17.150	17.150	25	4,025
Total					765	27,465

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.080	-0.083	2.135	2.065	47,316	35,238
Jan	2.230	-0.064	2.270	2.190	18,376	49,199
Feb	2.200	-0.060	2.240	2.170	5,115	22,943
Mar	2.165	-0.045	2.200	2.150	4,059	20,000
Apr	2.135	-0.030	2.160	2.120	1,555	13,068
May	2.130	-0.022	2.150	2.115	1,248	10,381
Total					82,867	241,678

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	37.40	-0.80	38.50	36.90	13,152	21,829
Jan	38.35	-0.95	39.50	38.00	10,239	28,908
Feb	39.25	-1.18	40.43	39.25	1,922	7,218
Mar	40.90	-0.85	41.70	40.70	569	6,065
Apr	44.40	-0.65	44.80	44.20	584	8,733
May	45.30	-0.65	45.35	45.30	1,330	6,735
Total					29,276	91,815

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	78.30	+0.80	-	-	-	5
Jan	78.30	-0.20	78.35	78.00	99	2,405
Mar	80.30	-0.30	80.30	80.00	89	3,092
May	82.30	-0.20	82.30	82.00	172	2,362
Jul	84.30	-0.20	-	-	-	251
Total					384	9,023

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	277.00	-8.50	284.75	276.50	22,138	41,968
Mar	293.00	-8.50	301.50	292.50	16,727	61,494
May	303.25	-8.25	309.00	303.00	1,191	7,705
Jul	313.50	-8.50	321.00	313.00	1,929	19,644
Sep	323.00	-7.50	331.50	330.00	17	997
Dec	334.00	-8.00	338.00	335.00	360	944
Total					42,282	132,752

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	217.25	-2.75	219.75	216.75	27,161	103,517
Mar	228.50	-2.25	231.00	228.00	15,942	123,754
May	236.25	-2.00	237.50	236.00	1,678	37,213
Jul	241.75	-2.00	243.50	241.25	2,087	44,905
Sep	247.25	-1.50	248.25	247.00	112	7,102
Dec	253.25	-1.50	254.50	252.75	609	20,458
Total					47,592	338,848

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	79.30	+0.80	-	-	-	-
Jan	79.30	-0.20	-	-	-	820
Mar	81.30	-0.20	81.25	81.25	20	205
May	82.30	-0.20	-	-	-	32
Sep	80.35	-0.65	80.50	80.35	10	-
Total					40	1,057

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	568.50	-12.00	580.50	568.00	16,279	71,722
Mar	577.75	-11.75	589.25	577.25	3,281	30,325
May	586.50	-11.25	594.50	586.00	1,356	14,401
Jul	594.00	-12.00	603.00	593.75	1,280	18,943
Aug	594.00	-12.00	601.50	596.00	168	1,473
Sep	594.00	-11.00	599.00	595.00	65	320
Total					22,939	144,866

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	24.48	-0.39	24.86	24.47	8,407	27,143
Jan	24.67	-0.34	24.95	24.65	5,209	25,408
Mar	24.86	-0.31	25.10	24.80	2,859	24,287
May	24.92	-0.33	25.18	24.88	1,019	11,148
Jul	25.05	-0.31	25.22	24.95	1,171	13,626
Aug	25.04	-0.30	25.05	24.95	98	1,329
Total					18,973	108,328

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	141.3	-4.1	144.6	141.0	10,765	40,593
Jan	143.7	-4.2	147.3	143.6	7,536	34,251
Mar	147.5	-4.4	151.0	147.6	3,701	21,371
May	151.6	-3.5	154.5	151.5	1,342	11,353
Jul	155.3	-3.4	157.8	154.7	1,263	16,325
Aug	157.0	-3.1	159.2	156.7	193	2,984
Total					24,881	133,216

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	219.5	+10.5	-	-	-	-
Apr	299.5	+10.5	302.0	289.5	272	1,979
May	309.5	+10.5	-	-	-	-
Jun	319.5	+10.5	-	-	-	-
Nov	85.0	-	-	-	-	-
Total					272	1,979

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	946	-4	946	945	3	253
Dec	942	-8	945	940	12	254
Jan	945	-5	950	945	35	645
Apr	989	-1	990	990	2	750
Jul	883	-2	-	-	-	350
Total					52	2,579

	Close	Prev
BFI	960	982

PULP AND PAPER

■ PULPEX OMLX (US$: 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	415.00	-10.0	423.75	413.75	50	319
Mar	446.00	-2.50	451.75	441.75	40	303
Total					90	655

FUTURES DATA
All futures data supplied by CMS.

Minor Metals from Metal Bulletin

European free market, $ per pound in warehouse (last week's prices in brackets, where changed). Antimony: 99.65%, $ per tonne, 1,275-1,325. Bismuth: min. 99.99%, tonne lots, 2.90-3.20. Cadmium: min. 99.95%, cents a pound, 16-19. Cobalt: MB free market, min. 99.8%, 14-15 (14.50-15.50), min. 99.3%, 11.60-13.30 (12.70-13.80). Mercury: min. 99.99%, $ per 76 pound flask, 137-145. Molybdenum: drummed molybdic oxide, 2.10-2.25. Selenium: min. 99.5%, 1.40-2.30. Tungsten ore: 38-48. Vanadium: min. 98%, 2.60-3.20 (3.20-3.45).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	958	+2	962	957	2,331	27,231
Mar	997	+3	1000	996	2,232	43,913
May	1016	+3	1019	1015	374	23,135
Jul	1033	+3	1037	1031	232	10,930
Sep	1050	+2	1053	1051	189	27,836
Dec	1073	+1	1076	1072	121	12,473
Total					5,479	158,433

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1468	+22	1468	1456	317	1,427
Mar	1489	+17	1490	1477	5,413	42,314
May	1512	+13	1513	1504	567	11,749
Jul	1537	+11	1539	1529	172	2,792
Sep	1562	+9	1560	1560	67	3,537
Dec	1592	+8	1456	1456	71	5,327
Total					6,628	71,353

■ COCOA (ICCO) (SDR's/tonne)

Nov 20	Price	Prev. day
Daily	1138.22	1150.23

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	2036	+26	2050	2000	80	4,063
Jan	1636	-19	1655	1628	2,018	20,703
Mar	1596	-20	1610	1588	1,049	10,580
May	1577	-18	1585	1575	142	4,864
Jul	1562	-18	1570	1559	7	1,296
Sep	1547	-18	1545	1545	55	545
Total					3,351	42,301

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	108.35	-2.15	109.50	108.00	593	1,198
Mar	107.20	-2.60	109.80	106.75	3,014	18,243
May	107.50	-2.50	109.25	107.50	187	5,227
Jul	108.30	-2.70	110.00	108.25	149	2,208
Sep	109.10	-2.65	110.25	109.00	10	1,472
Dec	110.35	-2.55	111.50	110.00	11	731
Total					3,811	29,136

■ COFFEE (ICO) (US cents/pound)

Nov 20	Price	Prev. day
Comp. daily	96.25	96.16
15 day average	98.56	98.51

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	244.2	-3.0	245.5	243.5	1,378	19,310
May	245.3	-2.5	246.0	245.0	31	4,959
Aug	246.8	-2.4	247.5	246.5	289	3,480
Oct	241.4	-1.9	242.5	241.4	219	3,494
Dec	245.9	-0.2	247.0	245.4	238	290
Mar	248.1	+0.2	243.5	242.0	40	578
Total					2,155	32,111

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	8.24	-0.24	8.41	8.24	11,854	88,470
May	8.35	-0.19	8.48	8.34	1,884	19,057
Jul	8.38	-0.18	8.50	8.36	669	17,418
Oct	8.58	-0.14	8.65	8.58	853	12,875
Mar	8.78	-0.14	8.84	8.78	586	8,290
May	8.83	-0.15	8.90	8.83	331	1,528
Total					16,187	148,165

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	60.20	-2.05	62.70	60.15	8,762	2,301
Mar	63.47	-0.03	63.60	62.60	9,388	38,185
May	63.91	-0.14	64.10	63.50	1,948	15,647
Jul	64.65	-0.30	64.75	64.15	1,614	11,686
Oct	65.50	-0.40	65.40	65.20	24	1,007
Total					22,898	80,840

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	117.95	+1.00	118.00	116.75	886	12,625
Mar	120.40	+0.80	120.40	119.25	417	6,198
May	122.20	+0.80	121.85	121.25	65	1,464
Jul	124.05	+0.80	124.20	123.70	201	1,289
Sep	124.70	+0.45	124.50	124.50	-	76
Nov	124.20	+0.10	124.00	124.00	100	383
Total					1,665	22,223

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 23	Nov 20	month ago	year ago
1472.4	1469.3	1445.5	1806.1

■ CRB Futures (Base: 1967 = 100)

Nov 20	Nov 19	month ago	year ago
199.61	200.31	-	-

■ GSCI Spot (Base: 1970 = 100)

Nov 20	Nov 19	month ago	year ago
142.60	142.64	146.95	192.30

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+12,600	to	546,350
Aluminium alloy	+180	to	90,640
Copper	+5,250	to	489,675
Lead	-1,500	to	106,075
Nickel	+204	to	61,728
Zinc	-1,100	to	330,375
Tin	-45	to	7,345

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	61.325	-0.375	61.800	61.125	6,230	30,658
Feb	61.600	-0.575	62.125	61.450	4,970	36,430
Apr	63.550	-0.875	64.350	63.400	1,593	21,152
Jun	62.425	-0.750	63.225	62.350	1,105	11,161
Aug	62.550	-0.600	63.250	62.500	1,307	6,447
Oct	65.700	-0.800	66.100	65.700	139	1,546
Total					15,365	107,998

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	28.000	-1.925	29.600	27.925	5,569	13,891
Feb	34.700	-1.950	36.000	34.650	4,025	15,298
Apr	38.575	-1.925	39.900	38.500	2,395	6,373
Jun	49.000	-1.850	50.150	48.850	1,656	3,962
Jul	50.650	-1.625	51.750	50.575	390	1,818
Aug	52.075	-1.425	53.050	51.750	324	2,005
Total					14,476	44,633

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	40.650	-2.400	42.850	40.450	1,033	4,261
Mar	40.525	-2.250	42.700	40.500	96	545
May	42.150	-2.450	44.400	42.450	39	352
Jul	44.300	-1.225	45.200	44.150	12	109
Total					1,266	3,210

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1250	63	12	85	29
1300	32	31	57	50
1350	14	62	36	78
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
1500	95	10	137	32
1600	33	48	79	72
1700	7	121	41	132
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1550	101	104	15	58
1600	64	77	28	81
1650	36	58	50	112
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	3	40	3	18
1000	1	27	25	30
1025	1	18	50	46
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1200	-	-	-	-
1250	23	-	-	118
1300	11	-	33	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$11.48-1.58x	+0.105
Brent Blend (dated)	$10.50-0.57	+0.03
Brent Blend (Jan)	$11.35-1.42	-0.12
W.T.I.	$12.48-2.50x	-0.25

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$130-132	
Gas Oil	$102-103	+0.5
Heavy Fuel Oil	$57-60	-0.5
Naphtha	$126-128	
Jet fuel	$117-120	+1
Diesel	$112-114	-0.5

■ NATURAL GAS (Pence/therm)

		+or-
Bacton (Dec)	14.45-14.48	+0.09

Petroleum Argus. Tel: London (0171) 359 8792

■ OTHER

		+or-
Gold (per troy oz)♣	$296.25	
Silver (per troy oz)♣	496.50c	
Platinum (per troy oz.)	$352.50	-5.25
Palladium (per troy oz.)	$285.00	-15.0
Copper	78.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.18r	
Tin (New York)	258.5	+1.00
Cattle (live weight)	83.12p	-0.87*
Sheep (live weight)	61.10p	+0.45*
Pigs (live weight)†	48.09p	-4.08*
Lon. day sugar (raw)	$199.10	
Lon. day sugar (wte)	$241.50	
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	49.00p	
Rubber (Jan)♥	48.50p	
Rubber (KL RSS No1)	268.50m	-1.00
Coconut Oil (Phil)§	755.0y	
Palm Oil (Malay.)§	647.5	
Copra (Phil)§	$465.0y	
Soyabeans (US)	157.0y	
Cotton Outlook'A' index	55.90	
Wooltops (64s Super)	319p	

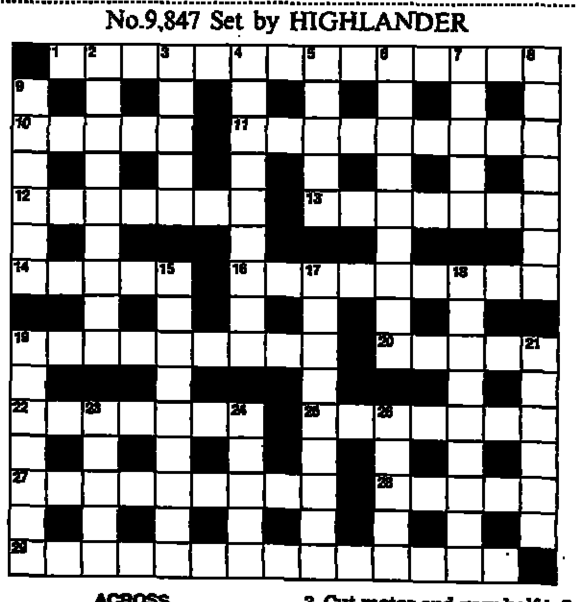
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. z Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 574 head of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

CROSSWORD

No.9,847 Set by HIGHLANDER



ACROSS
1 Judy's partner to win? You've hit on outstanding feature (5,2,3,4)
10 Vehicle's official OK to be driven on road initially (5)
11 Triple time required on freehold disposition (9)
12 Is Shakespeare's king backing one resident in Jerusalem? (7)
13 No lid? Has let off head of steam (7)
14 Hang on – it's part of something everybody wants (5)
16 One from the far north led Racine astray (9)
19 Big animal stars (5,4)
20 Space people take line relating to prominent organ (5)
22 Beginning with smell of sodium? (7)
25 Drunk on not as much (7)
27 Canine has to suffer. From this? (9)
28 Mark 20 (5)
29 Regular exercise of the fundamental principles of government (14)

DOWN
2 Complete one before church, it's said (9)
3 Cut motor and veer half left (5)
4 Dangerous skating here – one inch and it cracked up (2,4,3)
5 Carried by lovelorn to Catholic Church finally (5)
6 Coach watches at the start – it puts pressure on pupils (9)
7 Old area with a seaside atmosphere (5)
8 Stop employer becoming recipient of goods sold (3,4)
9 Mischievous Irish member changed his (6)
15 Balletic leap between French – discuss (9)
17 Ron met Len to organise member recruitment (9)
18 Othello's better half – see Odd Man Out (9)
19 Information to summon up relating to DNA units (7)
21 First inside was first to be recorded (6)
23 Shortly to embrace wife and become ecstatic (5)
24 Understood Bill to be holding bird? Quite the reverse (5)
26 Blast off originally with vigorous enthusiasm (5)

Solution to Saturday's prize puzzle on Saturday December 5.
Solution to yesterday's prize puzzle on Monday December 7.

صكذا من الاصل

هكذا من الاجل

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AIB Fund Management Ltd

ABN AMRO Global Liquidity Funds Plc (a)

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Global Asset Management - Contd.

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AIB Fund Management Ltd

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Blackstone Fund Managers Ireland Ltd

Chancery International Fund Plc

City of London Investment Mgmt Co., Ltd

DMG International Fund

Dragon Korea Fund Plc

Emerging World Asset Management

F.I.T. Investment Trust Ltd (a)

Fidelity Institutional Cash Fund PLC

Finsbury Global Investment Funds Plc

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Frank Russell Investments (Ireland) Ltd

Kim Europe Worldwide Fund

Korea Active

Korea Bond Fund Plc

Korea Capital Growth Fund

Korea Open Fund

Korea Special Opportunities Fund Plc

Korea Power Fund

Korea Preferred Share Fund

Lazard Investment Funds Ltd

Legal & General (Fidelity Mgmt Services) Ltd

Lotus Fund Plc

Merrill Lynch Investment Funds Plc

Morgan Grenfell Cash & Money Market Plc

Morgan Grenfell Fixed Income Funds Plc

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Putnam World Trust

SEI Global Master Fund Plc

The Saxon Fund Plc

Scottish Mutual Intl Fund Managers Ltd

Skandia Select Fund Plc

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Yield Korea Fund

Yield Taiwan Fund

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Ashburton Global Funds Ltd

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Bank Von Ernst & Cie AG

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AIB Govett Management (Jersey) Limited

Govett Safeguard Funds Ltd

Bank of Ireland Asset Mngmt (Jersey) Ltd

Barclays Global Investors (Jersey) Ltd

Barclays Intl Funds

Citibank (CI) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

INVESCO International Limited

Jupiter Asset Management (Jersey) Ltd

Lazard Fund Administration Services (CI) Ltd

Liberty International Asset Management

Lloyds TSB Fund Managers (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd.

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LUXEMBOURG
(REGULATED)(**)

Credit Suisse Asset Mngt Funds - Contd.

Merrill Lynch Asset Management - Contd.

UBS AG - Contd.

Mercury Asset Management - Contd.

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Dresdner Bank Investment Group - Contd.

Global Asset Management - Contd.

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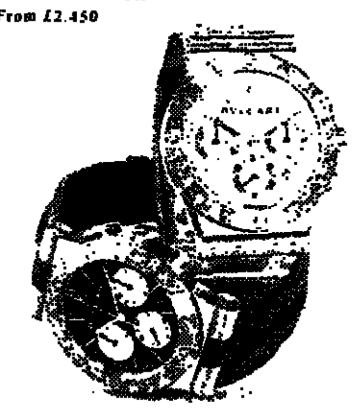

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The FMS Fund Managers Ltd (Bermuda)

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PROPERTY - Continued

RETAILERS, GENERAL - Continued

TRANSPORT - Continued

AIM - Continued

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LIFE ASSURANCE

RETAILERS, GENERAL

MEDIA

TELECOMMUNICATIONS

PHARMACEUTICALS

TOBACCO

TRANSPORT

PROPERTY

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below
- Rule 4.2(a) Irish incorporated non-listed companies
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. h Figures based on prospectus or other official estimates. i Assumed dividend yield after rights issue. b Assumed dividend yield after scrip issue. n Rights issue pending ... previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. M Yield based on prospectus or other official estimates for 1997-98. II Dividend is paid ... whole or part as a FID (Foreign Income Dividend). II Forecast ... yield, p/e based on ...

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The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Bid feast launches Footsie on 130-point rise

MARKET REPORT

By Philip Coggan, Markets Editor

There is little that the UK stock market enjoys more than a juicy bid story and investors were able to tuck into a rare feast yesterday.

Not only did Guardian Royal Exchange, long regarded as a takeover target, announce that it was considering a number of offers but two of the market's biggest engineering companies, BTR and Siebe, unveiled a link-up.

And there was plenty of bid talk outside the UK as well, with Deutsche Bank of Germany linking up with Bankers Trust of the US and two US high-tech companies, America Online and Netscape in talks.

All this gave the usual lift to equity markets, as not only did shares in the companies concerned forge ahead but traders searched around for the next potential raft of targets. The only bid disappointment came when Bertelsmann, the German media group, dismissed talk of a move for EMI – the latter had been driven up by speculation on Friday.

The FTSE 100 index duly enjoyed its third successive session of three-digit gains, *closing up 130.9 at 5,848.4.* BTR, GRE and Siebe were the three best performers in the blue-chip index.

The UK market's strength was broadly in line with other European markets, with the Dax in Frankfurt up 2.3 per cent and the Swiss market 2.8 per cent. Wall Street was also supportive, with the Dow Jones Industrial Average up more than 80 points, and within 100 points of its all-time closing high, by the time London finished trading.

Once again, the UK blue chips, the first port of call for institutions trying to get money into the market, performed better than the medium or smaller stocks. The FTSE 250 index rose 58.2 to 4,901.2 while the FTSE SmallCap managed a rise of just 6.7 to 2,060.4.

The bad corporate profit news that has dogged the market in the last few weeks was again evident, in the shape of warnings from Boosey & Hawkes and Servomex, but investors were in no mood to take notice. Footsie has now risen around 1,200 points from the low recorded on October 5, with the help of rate cuts in both the US and UK.

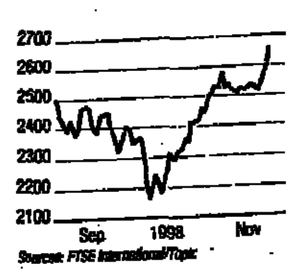
Bob Semple, the BT Alex Brown strategist, points out that bids have been a source of support for the UK market throughout the year with £28bn of cash-funded deals announced by the end of September. But he adds that "what worries me is that everyone has become very sanguine at a time when the corporate earnings news for the next few months will not be good".

At Credit Suisse First Boston, Richard Kersley said: "It is becoming hard to rationalise the relentless rally in the market on fundamentals alone. The tentative signs of *Japan getting its act* together and the possibility of a UK rate cut before, rather than after, Christmas, hardly seem enough.

"The suspicion is that the expected thin trading conditions in December ahead of the introduction of the euro are concentrating activity in November. This seems to be intensifying a stock squeeze within the market."

Volume was 843.4m shares by the 6pm count, of which 45 per cent was in non-Footsie stocks.

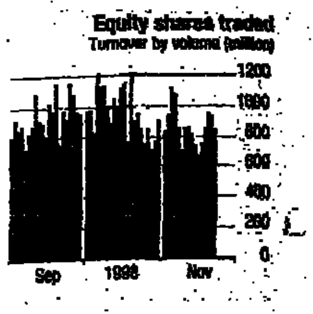
FTSE All-Share Index



Source: FTSE International/Topic

Equity shares traded

Turnover by volume (million)



Indices and ratios

FTSE 100	5848.4	+130.9
FTSE 250	4901.2	+58.2
FTSE 350	2763.0	+57.2
FTSE All-Share	2664.60	+52.55
FTSE All-Share yield	2.93	3.01

FT 30	3531.1	+96.6
FTSE Non-Fins p/e	21.94	21.62
FTSE 100 Fut Dec	5910.0	+157.0
10 yr Gilt yield	4.90	4.93
Long gilt/equity yld ratio	1.68	1.63

Best performing sectors

1 Insurance +6.5
2 Engineering +5.6
3 Life Assurance +3.6
4 Banks: Retail +3.4
5 Distributors +3.1

Worst performing sectors

1 *Oil Exploration & Prod* −1.1
2 Tobacco −0.6
3 Pharmaceuticals −0.4
4 Property −0.1
5 Electronic & Elect Equip +0.1

BTR up on Siebe merger

COMPANIES REPORT

By Martin Brice and Joel Kibazo

The merger with Siebe brought some relief to long-suffering BTR investors as shares in both companies raced ahead after the announcement, although some analysts remained bearish on the outlook for the combined group.

Volume in the two accounted for almost 13 per cent of total market turnover. The real action was in BTR shares, which achieved the best performance in the Footsie as they gained 40 per cent or 38 to 133p in remarkable volume of 72m. Earlier this year they stood at 215p.

Analysts suggested the scramble for BTR stock was powered by a hope that the move by Siebe could trigger a bid from another company, perhaps General Electric or KKR of the US.

At last night's close, BTR *shares stood at a slight premium to the 129½p at which the Siebe offer valued them.* Siebe saw 35m traded, and gained 13 per cent or 28 to 243p.

Many analysts took a very favourable view of the deal. Paul Compton at Merrill Lynch said Siebe had struck a good deal because it had bought BTR for a good price, there were considerable cost savings to be made and there was a good industrial logic in combining BTR's components business with Siebe's software expertise.

However, not all took a positive view. One analyst said that although the new BTR Siebe would probably outperform its markets, investors may not want to be exposed to those markets at all. Another said: "The fact is, they are only merging because they are in deep trouble. You could argue they were overvalued before this deal, and they are even more overvalued now."

Another suggested that with no less than seven leading broking houses linked to the deal, fund managers were being presented with a unanimity of favourable opinion. However, many fund managers would seek the stock because the new company would have an £8bn market capitalisation and constitute 1 per cent of the market.

Bid speculation swept through the market as dealers tried to unearth the next takeover target in the wake of the merger announcement by BTR and Siebe, and confirmation by Guardian Royal Exchange that it is looking at options which may lead to an offer for the group.

Retail group Sears was close to the top of several lists of companies expected to fall prey to a bidder.

Last month the company postponed the demerger of its Freemans mail order business, reported disappointing interim profits and signalled that trading problems would defer recovery in the home shopping division.

Although recent talk that the group had received a takeover approach was dismissed by market specialists, the return of bid rumours yesterday saw the *shares advance 12 to 227½p.*

However analyst said: "Anyone looking at a bid for Sears will have had to consider what to do with the Freemans business before *making a move. That won't* be easy in the current economic climate."

Racal Electronics was another mentioned as possible takeover candidates. The shares rose 21 to 325p on the speculation.

Confirmation by Guardian Royal Exchange that it is in talks with several parties over the sale of all or parts of the business sent the company shares soaring and prompted a wave of buying in other leading insurance issues.

Specialists suggested any offer for one of the market's long-running bid targets would have to be pitched around the 400p-a-share mark. France's Axa group remained the favourite to make an offer for the composite insurer.

Shares in the group jumped 42½ or nearly 14 per cent to 350½p, making it one of the best performers in the FTSE 100.

Royal & Sun Alliance *gained 28½ to 523p while in* the life sector, Legal & General appreciated 40¼ to 765p and Norwich Union hardened 18¼ to 460p.

Confirmation yesterday by *Deutsche Bank, Germany's* largest banking group, that talks to acquire Bankers Trust of the US in a $9.2bn deal were at an advanced stage helped boost banking stocks across Europe.

In London, dealers and investors were busy trying to unearth the next bid target in the sector as talk of consolidation returned.

Royal Bank of Scotland was among the best performers in the sector, the shares appreciating 48 to 938p. SG Securities, which recently turned neutral on the sector, continues to favour the stock believing the bank's final figures early next month will show the underlying business continuing to show "improving standards of profitability".

The broker also favours National Westminster which gained 48 to £11.53 and Barclays which said it had no demerger plans at present.

The bank made a statement following a weekend press report which said Barclays was considering the demerger of its retail and corporate banking businesses to reflect fundamental changes going on in the financial services industry.

The stock moved sharply ahead at the start of trading before losing some momentum after the denial but still finished 79 up at £13.99.

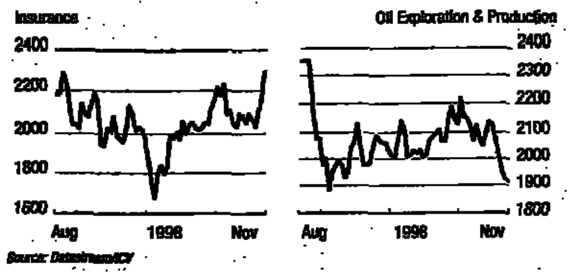
Friday's strong advance in EMI Group proved to be a temporary respite as the shares again tumbled against a firm market trend.

Rumours suggesting News Corp was lining up a bid for the UK music publisher that *many regard as ripe for a* takeover, made it the best performing stock at the end of last week.

The weekend brought press reports suggesting Ger*man media giant Bertels*mann was considering a merger or buying a stake in EMI. However Bertelsmann yesterday denied it was about to make such a move *although EMI confirmed it* had held talks with the German group about a month ago to discuss opportunities for co-operation. EMI said no proposal has been made by either company to the other and it also said no talks have been held with News Corp.

With investors bracing themselves for a grim set of interim figures today following September's profits warning, the shares surrendered some of Friday's gains to close 27 off at 365p, the worst FTSE 100 performer. Turnover of 18m made Enterprise Oil the busiest stock in the FTSE 250. The shares fell 10 to 360p, with the softening in the oil price said to have hurt sentiment.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Nov 23	Nov 20	Nov 19	Nov 18	Nov 17	Yr ago	*High	*Low
FT 30	3531.1	3434.5	3368.2	3292.6	3307.9	3157.5	4004.9	2790.8
Ord. div. yield	2.98	3.04	3.10	3.18	3.17	3.58	4.22	2.72
P/E ratio net	22.48	22.04	21.62	21.10	21.16	20.57	25.41	15.80
P/E ratio nil	22.39	21.95	21.53	21.01	21.07	20.28	25.19	15.71

FT 30 since compilation: high 4004.9 15/07/98; low 49.4 26/06/40 Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3434.5	3521.2	3516.7	3495.9	3517.8	3526.0	3540.8	3533.5	3547.6	3432.4

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STOCK MARKET TRADING DATA

	Nov 23	Nov 20	Nov 19	Nov 18	Nov 17	Yr ago
SEAQ bargains	81,355	77,292	63,597	53,626	56,879	60,946
Equity turnover (£m)†	-	3347.6	3218.3	2653.0	3071.7	2832.2
Equity bargains†	-	66,229	52,361	47,864	52,343	42,970
Shares traded (m)†	-	915.1	881.3	782.7	816.9	785.1
Total market bargains‡	-	77,807	62,476	55,443	59,653	-
Total turnover (£m)‡	-	4168.0	3952.6	3385.2	3711.6	-
Total shrs traded (m)‡	*843.4	1078.5	1059.7	960.8	956.8	-
Tradepoint turnover (£m)	22.9	20.9	27.0	24.4	21.4	20.8
Tradepoint shrs traded(m)	11.5	9.4	12.3	9.9	8.3	8.7

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,083	Total Highs	68	Total contracts	29,282
Total Falls	485	Total Lows	65	Calls	17,215
Same	1,359			Puts	12,067

Nov 23 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Dec	5810.0	5884.0	+131.0	5932.0	5801.0	22881	193728
Mar	5866.0	5935.0	+133.0	5921.0	5866.0	1572	18677
Jun		5987.0	+139.0			0	10740

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Dec		4920.0	+58.0			0	8496

■ FTSE 100 INDEX OPTION (LIFFE) (*5842) £10 per full index point — Nov 23

	5650 C	5650 P	5700 C	5700 P	5750 C	5750 P	5800 C	5800 P	5850 C	5850 P	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P
Dec	252½	94	210	110½	188½	131	161½	152½	135	178	112	202½	94	234½	77	267
Jan	346	163½	315	181½	284½	201	257	222½	228½	244	202½	257½	177½	292	153	317
Feb	420½	218	380	236½	360½	256½	332½	277	305	299	278	322½	254½	346½	230½	372
Mar	491	275½			423½	316			388	350½			397½	395½		
Jun†	642	390			579½	424			516½	459			458	496		

Calls 1,967 Puts 1,140

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point — Nov 23

	4725 C	4725 P	5775 C	5775 P	5825 C	5825 P	5875 C	5875 P	5925 C	5925 P	5975 C	5975 P	6025 C	6025 P	6075 C	6075 P
Dec	318½	78	282½	92½	246	104½	209½	124	179	148	150½	169	126	195½	108½	223½
Jan	409	152½	372	165½	339	182½	309½	202½	280	222½	250	242½	220½	263½	195	289½
Feb	488½	216	455½	234	425½	254	395	273½	365	294	335	314½	305½	335½	277	359
Mar	545	254	509	278½	474	295	446	318½	417½	339½	389½	361	362	383½	334	407
Jun†			661	398			586½	434			537½	470			476½	508½

Calls 6,141 Puts 6,680 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998 High	1998 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	53½	48	Anglian Water B	57½		-	-	-	-
-	F.P.	4.20	85	85	†Charriol	84		-	-	-	-
§	F.P.	6.10	117	107	Collective Assets Tst	117		-	-	-	26.3
-	F.P.	416.5	325½	229½	First Active	305	+15½	-	-	-	18.3
-	F.P.	-	110¾	104	Five Arrows Chile	110¾	+½	-	-	-	-
-	F.P.	-	118¼	105½	Do Uts Cv Ln 2040	116½	+1½	-	-	-	-
-	F.P.	-	18	6	Do Wrts	9		-	-	-	-
•	F.P.	112.6	236½	200	Garban	222½	-1	w20.54	2.2	9.8	4.9
§	F.P.	21.8	103	100½	Guinness Fit Grd I&G	103	+½	-	-	-	-
§	F.P.	6.53	108½	101	Do Inc	108	+½	-	-	-	-
§	F.P.	18.0	108½	100	Do Zero Div Pf	105½	+¼	-	-	-	-
§55	F.P.	14.7	65½	56½	†Honeycombe Leisure	65		-	-	-	10.3
-	F.P.	5.97	103	100	INVESCO Recovery	102½	+1½	Pr9.05	-	9.4	-
-	F.P.	8.89	104¾	100¼	Do Zero Div Pref	104	+¼	-	-	-	-
§97	F.P.	8.88	103	79½	MSW Technology	84	-2	-	-	-	12.7
-	F.P.	37.3	12½	10	Marley B	11		-	-	-	-
§	F.P.	5.17	5½	4¾	†Natural Bldg Mls	5½		-	-	-	-
§	F.P.	2.10	105	105	†Do Cnv Prf	105		-	-	-	-
§	F.P.	13.6	27½	27½	†Offshore Tool & En	27½		-	-	-	-
-	F.P.	-	62½	50½	†Old Monk Company	54	+½	-	-	-	13.6
-	F.P.	7.48	93	90½	Piccadilly Growth	90½		1.6	0.8	2.2	71.8
100	F.P.	-	103	94	REXAM B	95	-2	-	-	-	-
§	F.P.	13.1	88	87	Singer&Fd AIM VCT	87		-	-	-	-
-	F.P.	-	15	13½	Thistle Hotels Prf	15	+1	-	-	-	-
-	F.P.	-	15	5	Xenova Warrants	13½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Nov 20	% chg on day	Nov 19	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (28)	1127.43	-0.9	1138.82	1069.58	1.66	1139.08	1351.57	791.58
■ Regional Indices								
Africa (8)	1232.82	-2.1	1259.44	1093.82	3.35	1238.29	1488.04	795.63
Australasia (9)	1299.42	-0.5	1306.56	994.75	2.38	1304.72	1600.53	815.93
Americas (11)	1070.32	-0.4	1075.15	1065.23	0.70	1071.36	1317.41	647.69

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 23	Day's chge%	Nov 20	Nov 19	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5848.4	+2.3	5717.5	5606.2	4888.6	2.74	2.34	1.98	22.97	135.06	2585.95
FTSE 250	*4901.2*	*+1.2*	*4843.0*	*4801.5*	*4645.7*	*3.60*	*3.06*	*2.14*	*16.21*	*128.16*	*2125.85*
FTSE 250 ex Inv Tr	4920.9	+1.2	4864.6	4826.9	4687.0	3.75	3.20	2.21	15.05	130.95	2143.47
FTSE 350	2763.0	+2.1	2705.8	2658.0	2363.7	2.88	2.46	2.02	21.52	64.95	2498.52
FTSE 350 ex Inv Tr	2770.5	+2.1	2712.9	2664.7	2367.4	2.89	2.47	2.03	21.30	65.47	1284.08
FTSE 350 Higher Yield	2683.4	+2.6	2615.6	2575.8	2360.8	3.83	3.25	1.94	16.88	82.21	2079.19
FTSE 350 Lower Yield	2838.8	+1.6	2794.1	2737.3	2379.9	1.87	1.61	2.19	30.51	49.77	2078.15
FTSE SmallCap	2060.39	+0.3	2053.69	2049.26	2266.05	4.02	3.28	1.99	15.63	58.53	1814.70
FTSE SmallCap ex Inv Tr	2008.15	+0.1	2006.07	2006.08	2274.39	4.39	3.59	2.09	13.65	59.62	1788.40
FTSE All-Share	*2664.60*	*+2.0*	*2611.65*	*2567.36*	*2310.99*	*2.93*	*2.50*	*2.01*	*21.15*	*63.10*	*2443.54*
FTSE All-Share ex Inv Tr	2675.39	+2.0	2621.86	2577.19	2316.52	2.95	2.51	2.03	20.84	63.85	1262.39

■ *FTSE* Actuaries Industry Sectors

	Nov 23	Day's chge%	Nov 20	Nov 19	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(20)	4282.22	+1.5	4218.96	4217.37	4635.01	3.48	3.10	1.51	23.71	132.78	1998.39
12 Extractive Industries(6)	2697.76	+1.6	2654.12	2671.64	3059.14	5.07	4.67	1.99	12.39	130.45	870.15
15 Oil, Integrated(3)	4979.15	+1.7	4896.13	4889.69	5118.19	3.32	2.94	1.45	25.94	145.75	2389.19
16 Oil Exploration & Prod(11)	1904.85	-1.1	1926.43	1952.48	3649.25	2.89	2.52	0.98	45.28	46.95	1192.23
20 GEN INDUSTRIALS(211)	1788.36	+2.5	1744.35	1729.28	1976.37	3.97	3.49	2.28	13.89	59.68	1068.43
21 Construction(39)	1266.23	+0.3	1262.85	1259.27	1330.10	4.05	3.27	2.96	10.42	38.34	1146.75
22 Building Matls & Merchs(26)	1560.38	+1.7	1534.38	1540.62	1781.00	4.81	4.15	2.13	12.23	56.57	865.31
23 Chemicals(23)	1996.59	+0.7	1983.37	1991.43	2444.81	4.59	4.30	1.53	17.82	72.95	1037.48
24 Diversified Industrials(6)	1074.40	+3.0	1042.71	1038.37	1319.07	5.17	4.90	2.08	11.64	58.20	681.29
25 Electronic & Elect Equip(26)	2614.79	+0.1	2611.28	2545.84	2187.16	2.94	2.38	1.86	22.94	60.32	1484.58
26 Engineering(59)	2359.06	+5.6	2233.70	2205.27	2655.71	3.75	3.29	2.46	13.53	62.48	1551.08
27 Engineering, Vehicles(10)	3222.35	+1.7	3167.05	3133.30	3352.07	2.77	2.54	3.27	13.81	75.72	1794.82
28 Paper, Pckg & Printing(22)	1486.55	+1.1	1470.75	1460.44	2138.47	5.99	5.54	2.45	8.52	68.02	683.07
30 CONSUMER GOODS(90)	5893.20	+0.2	5878.88	5799.59	4696.29	2.32	2.10	1.93	27.94	128.22	2355.31
32 Alcoholic Beverages(6)	3845.59	+2.0	3769.99	3785.29	3396.23	3.24	3.00	2.13	18.11	136.96	1541.09
33 Food Producers(25)	3807.34	+1.0	3768.70	3726.96	3233.68	2.36	2.04	2.41	22.00	83.68	1862.88
34 Household Goods & Texts(22)	2301.38	+0.5	2289.88	2339.85	2833.07	4.55	4.05	1.78	15.40	89.97	986.79
36 Health Care(13)	2476.08	+1.6	2437.73	2413.16	2198.73	2.10	1.93	2.18	27.35	46.67	1598.52
37 Pharmaceuticals(20)	10159.23	-0.4	10201.22	10004.80	7513.58	1.74	1.62	1.59	45.21	165.24	3660.96
38 Tobacco(3)	6859.27	-0.6	6903.77	6787.50	4500.41	4.94	4.12	2.04	12.39	210.91	1943.85
40 SERVICES(280)	3397.25	+2.0	3330.25	3281.17	2809.87	2.56	2.10	2.11	23.14	63.31	1885.87
41 Distributors(29)	1924.51	+3.1	1867.13	1840.64	2541.48	5.15	4.25	2.01	12.10	73.51	789.17
42 Leisure & Hotels(28)	2978.71	+2.1	2918.31	2878.15	3253.24	3.16	2.65	2.62	15.06	79.87	1701.71
43 Media(39)	4301.22	+2.4	4202.14	4122.63	4165.52	2.44	2.05	2.16	23.72	84.99	1642.95
44 Retailers, Food(13)	2914.81	+1.3	2878.37	2835.06	2616.49	3.15	2.52	2.14	18.60	68.90	2007.55
45 Retailers, General(48)	2084.73	+1.8	2047.93	2009.75	2333.98	3.67	2.94	2.10	16.20	59.48	1288.71
46 Telecommunications(8)	5055.84	+1.5	4982.38	4884.38	2550.90	1.78	1.45	1.70	41.29	51.74	2481.84
47 Breweries, Pubs & Rest.(24)	3470.74	+2.6	3383.47	3371.71	3353.95	3.66	2.86	2.37	14.81	73.01	1788.25
48 Support Services(65)	4230.48	+2.8	4125.04	4078.52	3355.45	1.46	1.24	2.73	31.25	48.54	2802.60
49 Transport(25)	3637.64	+3.1	3529.87	3532.53	2867.46	2.92	2.47	2.03	21.07	83.76	1641.83
60 UTILITIES(21)	4497.64	+1.7	4424.40	4386.37	3307.80	3.60	3.00	1.75	19.84	107.09	2176.62
62 Electricity(8)	4992.00	+0.9	4948.95	4867.61	3688.21	4.08	3.27	1.86	16.46	127.03	2960.26
64 Gas Distribution(2)	3682.47	+2.9	3580.28	3539.12	2414.56	1.84	1.49	‡	‡	54.02	2134.88
68 Water(11)	3734.45	+1.9	3665.62	3613.18	3184.57	4.55	4.10	2.35	11.70	112.14	2337.23
69 NON-FINANCIALS(822)	2701.65	+1.5	2660.62	2629.43	2358.39	2.88	2.47	1.98	21.94	62.71	2225.36
70 FINANCIALS(105)	5198.69	+3.5	5021.48	4858.82	4391.13	3.17	2.63	2.16	18.22	135.41	2432.17
71 Banks, Retail(12)	7799.82	+3.4	7540.12	7239.32	6390.33	3.29	2.62	2.12	18.00	199.47	2763.02
73 Insurance(15)	2310.29	+6.5	2170.17	2105.87	1893.71	3.05	2.88	2.01	20.36	77.07	1836.57
74 Life Assurance(8)	7433.82	+3.6	7177.48	7012.32	5484.21	2.59	2.24	2.70	17.84	167.30	3351.12
77 Other Financial(26)	3629.78	+1.9	3562.22	3505.93	3589.25	3.02	2.50	2.58	16.03	101.25	2237.33
79 Property(44)	1726.27	-0.1	1728.01	1736.34	2136.12	3.87	3.26	1.62	19.92	43.67	1144.57
80 INVESTMENT TRUSTS(115)	3550.01	+1.5	3497.33	3448.19	3264.96	2.29	1.86	1.19	46.16	60.19	1303.40
89 FTSE All-Share(942)	2664.60	+2.0	2611.65	2567.36	2310.99	2.93	2.50	2.01	21.15	63.10	2443.54
105 FTSE All-Share ex Inv Tr(727)	2675.39	+2.0	2621.86	2577.19	2316.52	2.95	2.51	2.03	20.84	63.85	1262.39
Information Technology	1306.97	+2.8	1271.30	1252.02	-	0.72	0.58	4.17	41.73	6.95	1313.45
FTSE Fledgling	1138.94	+0.2	1136.14	1133.48	1244.39	3.85	3.16	1.44	22.48	32.51	1279.29
FTSE Fledgling ex Inv Tr	1138.66	+0.1	1137.84	1137.18	1265.21	4.23	3.48	1.54	19.16	36.22	1285.68
FTSE AIM	*820.4*	*+0.1*	*819.8*	*818.0*	*975.7*	*1.15*	*0.91*	*0.53*	*80.00†*	*9.49*	*762.40*

■ Hourly movements

	9.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5737.6	5822.5	5808.4	5800.4	5824.1	5811.7	5836.4	5840.6	5854.4	5737.6
FTSE 250	4856.8	4876.3	4880.4	4890.5	4894.6	4895.5	4896.1	4898.7	4901.9	4855.3
FTSE 350	2715.1	2750.4	2745.6	2743.0	2752.8	2748.0	2757.7	2759.7	2765.2	2715.1
FTSE SmallCap	2057.27	2060.15	2060.81	2060.97	2060.94	2060.87	2060.51	2060.98	2061.25	2054.61
FTSE All-Share	2620.35	2653.07	2648.67	2648.25	2655.24	2650.87	2659.80	2661.60	2666.67	2620.35

Time of FTSE 100 Day's high: 16:05:00 Day's low: 9:03:00. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 16:05:00 Day's low: 9:03:00. FTSE All-Share 1998 High: 2885.79 (20/07/98) Low: 2166.10 (05/10/98)

Further information is available on http://www.ftse.com.

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FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	449	662	+7½
AMVESCAP	1,700	474½	-32½
ASDA Group	5,100	157½	+1
Abbey National	3,700	1340	+48
Alliance & Leicester	2,200	940	+18½
Allied Domecq	3,000	528½	+11½
Allied Zurich	5,800	826	+41½
Anglian Water†	80	881	+3
Assoc. Brit. Foods	307	538	+27
BAA	3,100	695	-23½
BOC	828	921	-4
BG	5,960	425	+11½
BP	19,100	944½	+15½
BSkyB	1,900	518½	+17½
BT	10,200	894½	+18½
BTR	72,900	133	+38
Bank of Scotland	3,200	882½	+22½
Barclays	6,600	1399	+79
Bass	1,800	865	+57½
Billiton	10,400	124½	-¼
Boots	1,700	1049	+38
Britannic Assurance†	25	1360	
Brit. Aerospace	3,700	514	+10
British Airways	4,700	400	-2
Brit. Amer. Tobacco	4,600	532	-¼
British Energy	4,100	668xd	+31½
British Land	585	510	-2
CGU	2,500	1016	+76
CMG†	117	1580	+45
COLT Telecom	1,400	780	+30
Cable & Wireless	4,700	753½	+18½
Cadbury Schweppes	771	923½	+15
Carlton Comms.	1,800	480	+22½
Centrica	2,800	122	+3½
Compass	1,300	620	-6
Diageo	3,700	702	+14
EMI	6,500	365	-27
Dixons†	1,500	692	+2
Foreign & Col. I T	1,400	184½	+3
General Electric	3,500	521	-3
Gallaher†	292	420	+5
Glaxo Wellcome	4,900	1945	-12
Granada	1,800	870	+19
GUS	2,400	638	+13
GRE	17,100	350½	+42½
GKN	885	865	+7
HSBC (75p shs)	3,600	1664	+52
HSBC (HK$10)	2,500	1584	+45
Halifax	3,000	872	+31
Hays	1,500	536	+24
ICI	1,400	683	+18
Imperial Tobacco†	809	631	-24
Kingfisher	2,100	580	-5
Ladbroke	3,500	217½	-4½
Land Securities	1,100	799	+4
Legal & General	1,200	765	+40¼
Lloyds TSB	8,500	875	+29
LucasVarity	1,500	218	+6½
Marks & Spencer	6,300	454	+14
Mirror	2,900	443	+40½
NatWest Bank	5,000	1153	+48
National Grid	8,100	461½	-10
National Power	1,500	570	+4½
Norwich Union	4,500	460	+18¼
Nycomed Amersham	1,800	392½	+8½
Orange	2,000	830	+32
Pearson	1,300	1090	+40
P & O	3,500	740	+42
PowerGen	2,000	884xd	+7
Prudential	2,200	815	+31
Railtrack	1,800	1788	+81
Reckitt & Colman	1,100	864	+4
Reed Intl.	1,800	584	+7
Rentokil Initial	4,200	359½	+2
Reuters	3,900	629½	+26½
Rio Tinto	2,300	726	+30
Rolls Royce	2,600	245	+4½
Royal & Sun Alliance	2,600	523	+28½
Royal Bank Scotland	1,700	938	+48
Safeway	4,800	311	+13
Sainsbury	2,600	533½	+6½
Schroders	598	1135	+10
Schroders NV	38	1067	+45
Scottish & Newcastle	1,500	745	+12
Scottish Power	2,600	651½	+7½
Securicor	1,600	566	+16
Severn	1,000	487	+2
Severn Trent	395	1055	+18
Shell Transport	20,100	385	+6½
Siebe	35,300	243	+28
SmithKline Beecham	7,800	742	-18½
Smiths Inds.	1,800	858	-4
Southern Electric	326	718	+48
Stagecoach	655	245	+10
Standard Chartered	2,000	685	+10
Sun Life & Provincial	488	528	+10½
TeleWest Comms.	2,500	153½	+1½
Tesco	13,300	179½	+1½
Thames Water	317	1200	+27
Tomkins	2,300	271	+9
Unilever	6,600	650	
Utd. News & Media	1,800	688	+28½
United Utilities	732	837	+38
Vodafone	6,400	887½xd	-6½
WPP	1,500	354½	-¼
Whitbread	250	829½	+24
Williams	1,200	385	+28½
Woolwich	4,800	370	+8½
Zeneca	1,300	2450	+9

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are...

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صكاكا من الاهل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 23 / Sch)

BELGIUM/LUXEMBOURG (Nov 23 / Frs.)

CZECH REP (Nov 23 / Korona)

DENMARK (Nov 23 / Kr)

FINLAND (Nov 23 / Mks)

FRANCE (Nov 23 / Frs.)

GERMANY (Nov 23 / Dm.)

GREECE (Nov 23 / Drachma)

IRELAND (Nov 23 / Punt)

ITALY (Nov 23 / Lira)

NETHERLANDS (Nov 23 / Fls.)

NORWAY (Nov 23 / Krone)

POLAND (Nov 23 / Zloty)

PORTUGAL (Nov 23 / Escudo)

SPAIN (Nov 23 / Pts.)

SWEDEN (Nov 23 / Krona)

SWITZERLAND (Nov 23 / Frs.)

TURKEY (Nov 23 / Tk.Lira)

PACIFIC

JAPAN (Nov 20 / Yen)

AUSTRALIA (Nov 23 / Aust$)

HONG KONG (Nov 23 / H.K.$)

INDONESIA (Nov 23 / Rupiah)

MALAYSIA (Nov 23 / MYR)

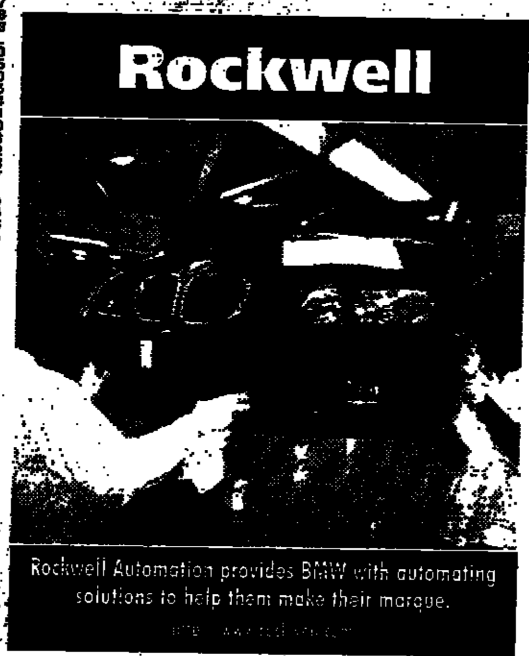
NEW ZEALAND (Nov 23 / NZ $)

SINGAPORE (Nov 23 / S$)

SOUTH KOREA (Nov 23 / Won)

TAIWAN (Nov 23 / TW $)

THAILAND (Nov 23 / Baht)



Rockwell Automation provides BMW with automating solutions to help them make their marque.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 20 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY NOVEMBER 19 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	200.49	0.6	179.41	152.39	176.01	207.14	0.9	3.61	199.32	177.76	149.68	174.09	205.38	219.96	163.86	195.28
Austria (22)	184.34	2.2	164.96	140.12	161.83	161.73	2.7	2.16	180.36	160.31	135.44	157.53	157.42	253.73	168.45	192.05
Belgium (22)	375.93	1.0	336.41	285.75	330.04	322.95	1.5	2.09	372.24	330.85	279.53	325.12	318.06	398.52	249.06	253.25
Brazil (32)	165.91	1.8	148.47	126.11	145.65	384.87	1.9	2.44	162.94	144.82	122.36	142.31	358.09	289.34	102.68	216.13
Canada (119)	198.05	1.5	177.22	150.53	173.86	221.76	1.4	1.79	195.15	173.45	146.55	170.44	218.82	248.78	159.94	214.53
Denmark (34)	458.43	0.9	410.25	348.46	402.47	400.29	0.5	1.75	458.47	407.49	344.29	400.43	398.36	537.33	415.82	423.88
Finland (28)	478.46	0.7	428.38	362.17	418.30	513.45	1.2	1.78	473.11	420.50	355.28	413.22	507.17	506.46	267.59	314.08
France (75)	312.93	2.1	280.03	237.86	274.78	277.85	2.7	2.25	306.46	272.39	230.14	267.67	270.75	345.18	225.24	231.87
Germany (55)	271.33	1.8	242.81	206.24	238.21	238.21	2.9	1.86	266.51	236.88	200.14	232.77	232.77	325.61	216.42	222.03
Greece (35)	308.25	1.0	275.84	234.30	270.62	625.44	1.6	1.39	305.31	271.36	229.27	266.66	615.76	333.20	211.47	–
Hong Kong, China (67)	317.78	–1.6	284.37	241.55	278.99	315.88	–1.6	4.14	322.82	286.92	242.42	281.95	320.95	389.07	196.64	342.15
Indonesia (26)	51.70	10.3	46.27	39.30	45.39	238.67	8.8	1.23	46.87	41.66	35.20	40.94	219.25	100.77	19.04	97.71
Ireland (16)	498.42	1.3	446.03	378.85	437.57	477.14	1.8	2.05	492.00	437.30	369.47	429.72	468.57	580.44	377.17	378.85
Italy (53)	160.28	1.3	143.44	121.83	140.72	200.12	1.9	1.39	158.21	140.62	118.81	138.18	196.49	184.49	108.44	110.33
Japan (446)	98.69	1.4	88.32	75.02	86.65	75.02	2.6	1.00	97.37	86.54	73.12	85.04	73.12	109.73	76.83	101.33
Mexico (29)	1154.64	0.2	1033.27	877.66	1013.70	12498.02	0.0	2.04	1152.49	1024.28	865.42	1006.54	12498.02	1803.07	787.15	1535.09
Netherlands (27)	491.64	2.5	439.97	373.71	431.63	427.27	3.1	2.18	479.44	426.13	360.04	418.75	414.50	562.38	391.03	413.77
New Zealand (18)	58.26	–1.0	52.14	44.28	51.15	57.84	0.3	5.06	58.83	52.29	44.18	51.38	57.48	83.14	45.66	82.61
Norway (38)	227.79	1.6	203.84	173.14	199.98	230.71	1.5	2.61	224.12	199.20	168.30	195.75	227.40	357.71	181.86	339.74
Philippines (22)	82.01	1.1	73.39	62.34	72.00	161.65	1.9	0.86	81.10	72.08	60.90	70.83	160.05	106.98	42.48	88.28
Portugal (18)	254.32	–0.1	227.58	193.31	223.27	301.44	0.5	1.11	254.48	226.18	191.10	222.26	299.98	299.39	194.13	–
Singapore (41)	208.67	0.9	186.73	158.61	183.19	156.95	1.2	2.02	206.86	183.86	155.34	180.67	154.67	264.82	102.45	233.17
South Africa (39)	213.42	0.1	190.99	162.22	187.37	262.60	–0.2	3.54	213.18	189.48	160.09	186.19	263.04	346.20	151.55	273.16
Spain (30)	376.90	1.5	336.74	286.03	330.36	409.28	1.9	1.94	370.60	329.46	278.30	323.69	401.49	417.73	258.99	263.13
Sweden (46)	488.83	0.4	437.45	371.57	429.16	584.96	0.4	2.00	487.06	432.92	365.77	425.42	582.64	628.19	379.18	490.76
Switzerland (30)	408.15	1.4	365.25	310.24	358.33	351.88	2.1	1.21	402.43	357.68	302.20	351.48	344.67	439.48	307.73	321.70
Thailand (35)	24.95	12.4	22.38	18.97	21.91	34.96	11.9	2.71	22.20	19.73	16.67	19.39	31.24	33.84	8.15	27.27
United Kingdom (208)	367.04	1.2	328.46	278.99	322.23	328.46	1.9	3.00	362.78	322.43	272.42	316.84	322.43	401.84	307.96	327.27
USA (619)	476.51	0.9	426.42	362.20	418.34	476.51	0.9	1.37	472.19	419.68	354.59	412.41	472.19	485.88	378.74	390.22
Americas (789)	424.59	0.9	379.98	322.74	372.76	360.15	0.9	1.39	420.85	373.87	315.88	367.40	358.83	437.03	343.40	354.22
Europe (737)	344.14	1.5	307.97	261.59	302.13	313.79	2.0	2.14	338.13	301.42	254.67	296.20	307.49	388.24	278.58	283.37
Eurobloc (349)	99.29	1.8	88.86	75.48	87.17	94.35	2.3	1.82	97.54	86.69	73.25	85.19	92.21	113.28	81.53	–
Nordic (146)	453.69	0.5	406.18	345.01	398.49	458.78	0.7	1.85	451.81	401.57	339.28	394.61	455.70	555.97	360.04	429.69
Pacific Basin (730)	106.85	1.1	95.60	81.20	93.79	83.34	2.1	1.56	105.71	93.96	79.39	92.33	81.65	119.48	82.88	110.97
Euro-Pacific (1467)	205.43	1.4	183.84	156.15	180.36	169.76	2.0	1.97	202.69	180.16	152.21	177.04	166.34	220.19	166.00	182.88
North America (738)	457.78	0.9	409.66	347.96	401.90	459.02	0.9	1.38	453.53	403.10	340.58	396.12	454.78	469.20	367.39	379.12
Europe Ex. UK (529)	321.11	1.6	287.36	244.08	281.92	297.16	2.1	1.73	315.99	280.86	237.29	275.98	290.93	366.32	249.34	253.60
Europe Ex. Eurobloc (391)	94.22	1.1	84.32	71.62	82.72	93.47	1.8	2.49	93.18	82.88	69.95	81.36	91.85	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (183)	95.71	1.1	85.65	72.75	84.03	92.28	1.8	1.47	94.70	84.17	71.12	82.71	90.87	109.21	75.16	–
Pacific Ex. Japan (284)	184.20	–0.1	164.84	140.01	161.72	185.64	0.0	3.68	184.38	163.88	138.47	161.05	185.56	217.77	128.28	199.69
World Ex. Eurobloc (1959)	100.19	1.0	89.66	76.16	87.96	99.13	1.2	1.89	99.21	88.18	74.50	86.65	97.90	103.18	83.09	–
World Ex. US (1686)	205.42	1.3	183.82	156.14	180.34	174.88	2.0	1.99	202.70	180.16	152.21	177.04	171.51	221.91	165.95	186.53
World Ex. UK (2097)	285.72	1.1	255.69	217.18	250.84	285.58	1.4	1.52	282.58	251.16	212.20	246.81	252.10	298.02	234.68	244.98
World Ex. Japan (1859)	385.36	1.1	348.43	295.96	341.83	378.77	1.3	1.73	385.17	342.34	289.24	336.41	373.95	411.23	318.78	327.59
The World Index (2305)	290.71	1.1	261.94	222.49	256.98	282.29	1.4	1.66	288.47	[illegible]	217.88	252.83	258.60	306.56	242.08	251.98

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Emerging markets: IFC investable indices

Dollar terms

Nov 20 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	909.11	+3.4	–18.5
Brazil	336.74	+2.1	–30.2
Chile	498.21	+1.9	–22.5
Colombia[1]	396.72	+3.3	–51.9
Mexico	491.19	+0.2	–37.7
Peru[2]	154.65	+3.4	–30.2
Venezuela[3]	389.58	+2.0	–69.6
East Asia			
China[4]	30.76	–0.7	–44.4
India[7]	62.23	–0.8	–25.3
Indonesia[8]	25.88	+10.8	–23.1
Korea[9]	37.74	+3.6	+57.1
Malaysia	73.11	+1.0	–19.8
Pakistan[8]	98.91	+2.5	–60.2
Philippines	116.22	+1.0	+3.1
Sri Lanka[10]	73.88	–1.7	–36.5
Taiwan, China[8]	130.05	+0.9	–7.8
Thailand	68.06	+5.4	+44.7
Europe			
Czech Rep	49.79	+1.6	–9.0
Greece	553.60	+0.7	+70.9
Hungary[8]	261.58	+0.1	–16.9
Poland[10]	537.39	–0.2	–8.9
Portugal	288.77		+36.8
Russia	24.53	+9.2	–83.5
Slovakia	38.67	–0.5	–61.0
Turkey[11]	138.20	+3.3	–55.7
Mideast/Africa			
Egypt	84.93		–30.4
Israel	99.87	–0.5	–17.9
Jordan	203.82		–3.2
Morocco	169.78	–0.2	+30.3
S. Africa[12]	142.18	+0.5	–20.9
Zimbabwe[13]	98.85	–0.7	–80.6
Regions			
Composite	182.38	+1.5	–21.8
Latin America	455.40	+1.7	–31.3
Asia	102.12	+2.2	–5.2
EMEA	116.01	+0.7	–21.4
Europe	142.21	+1.1	–24.6
Eastn Europe	57.26	+1.8	–59.2
ME & Africa	58.48	+0.3	–18.2
Comp + Malay	192.50	+1.4	–21.7
Asia + Malay	100.25	+2.0	–7.0

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 6 1993; (4)Dec 31 1992; (5)Jan 3 1993; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993. [illegible]

AFRICA

SOUTH AFRICA (Nov 23 / Rand)

AMERICAS

CANADA

TORONTO (Nov 23 / Can $)

4 pm close

MONTREAL (Nov 23 / Can $)

4 pm close

MEXICO (Nov 23 / Peso)

12.30 pm

4 pm close November 23

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

advertisement

EUROBENCH® "INSECTS®" INDICES

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Sector		SETT 23-11-1998	Close 23-11-1998	Previous 20-11-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	2869.71	2889.39	2850.52	+35.87	+1.26	3451.63	1446.56
IN-FIN	DEM	2472.57	2466.67	2398.29	+68.38	+2.85	3060.19	1559.17
Non-durable goods	USD	1806.62	1806.23	1797.15	+9.08	+0.50	*1797.15	1234.52
IN-GOODS	DEM	2159.56	2156.11	2122.65	+33.46	+1.57	2195.63	1526.86
Oils	USD	1336.39	1336.63	1330.55	+6.08	+0.45	1633.95	1132.90
IN-OIL	DEM	1596.44	1595.55	1571.54	+24.01	+1.52	2027.16	1361.56
Pharma-chemicals	USD	1482.96	1486.88	1485.22	+1.66	+0.11	1680.68	1286.35
IN-PHARMA	DEM	1783.45	1779.69	1759.95	+20.74	+1.17	2115.51	1446.92
Telecoms	USD	2338.60	2332.36	2310.58	+21.78	+0.94	2842.47	1495.47
IN-TELCO	DEM	2783.92	2784.76	2729.07	+55.69	+2.04	3320.66	1852.74

Further information about the INSECTS and constituents are available for download on our web-site HTTP://WWW.EURO-INSECTS.COM and further information about EuroBench is on HTTP://WWW.EUROBENCH.COM. A free daily email service can also be subscribed to on the web. For hard copy information please call London (+ 44 171 336 7888) or Brussels (+32 2 509 94 60).

Price data supplied by [illegible], part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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هكذا من الاصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Nov 20	Nov 19	Nov 18	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	9159.55	9056.05	9041.11	9337.97 (17/7)	7539.07 (31/8)	9337.97 (17/7/98)	41.22 (8/7/32)
Home Bonds	106.38	106.17	106.31	107.02 (5/10)	104.42 (11/5)	107.82 (5/10/98)	54.99 (1/10/81)
Transport	2974.92	2956.88	2966.08	3686.02 (16/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	310.14	308.34	309.27	320.51 (8/10)	262.66 (9/1)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9215.93 (9147.96) Low 9048.32 (8967.22) (Theoretical)
Day's high 9161.35 (9067.72) Low 9058.82 (9010.73) (Actual)

Standard and Poors	Nov 20	Nov 19	Nov 18	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1163.55	1152.61	1144.48	1188.75 (17/7)	927.69 (9/1)	1186.75 (17/7/98)	4.40 (1/6/32)
Industrials♥	1388.61	1376.82	1368.59	1388.61 (20/11)	1077.40 (9/1)	1388.61 (20/11/98)	3.52 (30/6/32)
Financial♥	127.13	125.23	124.26	147.69 (14/7)	85.80 (8/10)	147.69 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	572.08	568.75	563.46	608.75 (17/7)	477.20 (8/10)	608.75 (17/7/98)	4.64 (25/4/42)
Amex Comp	675.01	673.22	667.85	753.67 (22/4)	583.75 (8/10)	753.67 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	1928.21	1919.68	1897.44	2014.25 (20/7)	1419.12 (8/10)	2014.25 (20/7/98)	54.87 (3/10/74)
Russell 2000	394.29	394.37	392.12	491.41 (21/4)	310.28 (8/10)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Nov 20	Nov 13	Nov 6	Year ago
Dow Jones Ind. Div. Yield	1.66	1.69	1.68	1.73
	Nov 18	Nov 11	Nov 4	Year ago
S & P Ind. Div. yield	1.25	1.29	1.30	1.50
S & P Ind. P/E ratio	33.53	32.98	32.70	25.38

US DATA

MARKET ACTIVITY

Volume (million)	Nov 20	Nov 19	Nov 18
NYSE	721.200	675.973	850.510
Amex	22.099	24.898	22.538
NASDAQ	878.059	988.873	905.451

NYSE	Nov 20	Nov 19	Nov 18
Issues Traded	3,516	3,514	3,530
Rises	1,740	1,690	1,493
Falls	1,235	1,258	1,525
Unchanged	541	566	512
New Highs	89	74	54
New Lows	26	32	30 3

NYSE TRADING ACTIVITY — Volume : 721,200,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
AmOnLine	18,084,200	84⅝	+1⅛
Cendnt	12,053,400	14⅞	+¼
Citigrp	11,427,800	45¼	+⅝
Compaq	7,941,500	34¼	+⅜
PhilMorr	7,328,300	55⅝	+¼
BankAm	6,483,400	63¼	+1½
HewPac	6,372,200	57⅞	−1¼
LucentTch	5,510,800	86½	−1½
AmHome	4,914,400	52⅝	+2⅝
Mtrola	4,823,000	61⅝	+3⅜

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Bclays	90	+8	+9.8
Lehman	45⅞	+3⅝	+8.8
BearSt	39⅞	+3¼	+8.6
Marine Dr	10⅛	+⅞	+9.4
Downs			
Baker Fent	16⅞	−1⅝	−8.6
StadCom	35	−2⅞	−7.6
Petrsm Mn	11⅝	−⅝	−5.8
Kennmt	20¼	−1	−4.7

NASDAQ TRADING ACTIVITY — Volume : 876,059,800

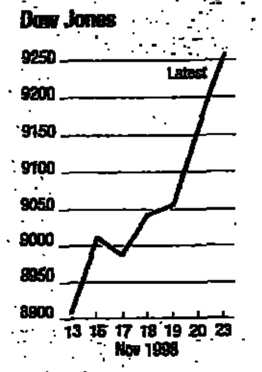
ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BEA Sys	20,242,800	13⅝	−13¼
WrldCm	16,857,200	57½	−1⅝
Intel	16,444,100	112¼	−⅞
Ciena Cp	15,917,700	18⅛	+2¼
DellCmp	15,065,500	64⅝	+1⅛
Netscp	14,893,700	39⅜	+2⅝
Micsft	12,013,300	113⅝	+1⅛
Amz.com	11,152,100	180⅝	+27⅝
CiscoSys	10,228,400	74⅝	+1⅛
Yahoo	9,313,100	187	+5⅝

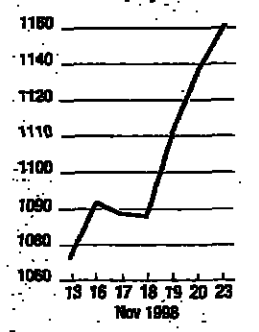
BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Enzon	13⅝	+2⅝	+26.5
Amz.com	180⅝	+27⅝	+17.9
InsightEnt	41⅝	+5⅝	+16.0
Ciena Cp	18⅛	+2¼	+15.2
Downs			
BEA Sys	13⅝	−13¼	−49.5
Biltel	10⅝	−2	−16.3
BitStwe	23⅝	−3¼	−12.5
FstCmBcB	26⅝	−3⅝	−11.0

Dow Jones



FTSE Eurotop 300



JAPAN

	Nov 23	Nov 20	Nov 19	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	(c)	14779.94	14354.45	17264.34	12879.97	38915.9	85.25

Day's high: – Day's low: –

TOKYO TRADING ACTIVITY — Volume : 506,000,000

ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Tohoku	11,495,000	677	+24
AsiaICp	11,490,000	76	−1
NissMt	10,720,000	391	+25
Sakura	9,307,000	350	+5
NpStl	8,458,000	221	+2
SumitBk	8,460,000	1090	+26
NikkoS	6,051,000	375	+3
BTokM	6,030,000	1252	+23
SumRlt	6,002,000	430	+20
Hitachi	5,411,000	711	+33

BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
H'losBk	217	+22	+11.3
TokGs	93	+9	+10.7
ItoYok	7980	+670	+9.2
Inax	700	+56	+8.7
Renown	79	+6	+8.2
OjiPap	510	+38	+8.1
Downs			
NacLne	65	−10	−13.3
Rohm	10590	−840	−7.3

FRANCE

	Nov 23	Nov 20	Nov 19	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3845.81	3802.70	3706.76	4388.48	2862.54	4388.48	984.61

Day's high: 3858.04 Day's low: 3831.33

PARIS TRADING ACTIVITY — Volume : 721,055,449

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
BNP	1,769,102	429	+31
FrTele	1,574,789	420	+11.9
RhonPR	1,650,006	289.1	+1.3
Alctel	1,498,840	680	+20
Alstom	1,418,047	149.5	+6.5
Axa	1,216,672	729	+27
MchlnB	1,198,164	219	−6
Paribas	1,160,781	490	+21.8
EltAqu	952,676	730	−10
Schndr	935,832	326.1	−7.9

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
SodxAl	1145	+85	+8.0
BNP	429	+31	+7.8
Seita	330	+20	+6.5
Ciment	349.8	+19.8	+6.0
Downs			
Canal+	1320	−122	−8.5
GrdVsn	128	−10	−7.2
Lapeyr	430	−32	−7.1
Rhodia	88.65	−5.35	−5.7

GERMANY

	Nov 23	Nov 20	Nov 19	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5019.12	4911.88	4795.69	6171.43	3896.08	6171.43	931.18

Day's high: 5027.45 Day's low: 4946.93

FRANKFURT TRADING ACTIVITY — Volume : (bl)

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Dt Tel	717,882	49.9	+2.4
Bayer	488,263	71.7	+1.9
BASF	374,351	66.85	+1.85
H'chst	230,568	78	−0.97
FagKug	142,861	16.05	+0.05
Comrzl	117,953	43.5	+0.1
Adidas	77,516	184.5	+1
Grnhas	64,100	23.9	−0.1
Dgussa	47,360	84.5	+1.9
BMBg	38,255	37.3	−2.4

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
KlbnPr	38.2	+4.7	+14.0
Bakges	28.7	+2.95	+11.5
KlockW	95	+8.2	+9.4
Mtallg	27.1	+2.15	+8.6
Downs			
Metro	114	−7.5	−6.2
BMBg	37.3	−2.4	−6.0
Hozmn	184.5	−9.5	−4.9
Metro7	73	−3.6	−4.7

UK

	Nov 23	Nov 20	Nov 19	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	5848.4	5717.5	5606.2	6179.00	4648.70	6179	986.9

Day's high: 5854.4 Day's low: 5717.0

LONDON TRADING ACTIVITY — Volume : 843,409,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
BTR	72,918,580	133	+38
Slebe	35,254,480	243	+28
Shell T&T	20,112,390	365	+8¼
BP	19,056,010	944½	+15½
Enterprise Oil	18,078,180	360	−10
Guardian Ryl	17,136,830	350½	+42½
Storehouse	14,290,520	141½	+6
Tesco	13,297,860	179½	+1½
Billiton	10,415,850	124¼	−¼
BT	10,309,850	894½	+16½

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
BTR	133	+38	+40.0
Danka Bus	38½	+10	+35.1
Xtmer Com	14	+3½	+33.3
Touchstone	123½	+30	+32.1
Downs			
Servomex	99	−58½	−37.1
SWI	43	−12½	−22.5
Boosey&Hawks	337½	−87½	−20.6
RJB Mining	47½	−7½	−13.8

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	1167.50	1173.30	+5.80	1176.80	1167.10	79,153	399,395
Mar	–	1178.70	–	–	–	2,497	21,575

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	14540.0	14800.0	+440.0	14830.0	14540.0	33,863	190,401
Mar	14520.0	14760.0	+480.0	14760.0	14510.0	497	8,146

Open interest figures for previous day

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	3816.0	3871.0	+58.0	3880.0	3816.0	83,989	191,202
Dec	3822.0	3880.5	+58.5	3886.0	3822.0	23,054	77,866
DAX							
Dec	4961.0	5047.0	+113.0	5055.0	4961.0	17,341	77,668
Mar	5001.0	5083.0	+109.5	5083.0	5001.0	326	3,896

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Nov	682.00	688.50	+15.50	691.00	682.00	54,421	170,142
Dec	685.00	692.50	+15.75	692.75	685.00	42,299	68,961
SOFFEX							
Dec	7205.0	7333.0	+193.0	7333.0	7205.0	26,470	154,717
Mar	7247.0	7361.0	+194.0	7349.0	7247.0	138	5,055

WORLD MARKETS AT A GLANCE

Country	Index	Nov 23	Nov 20	Nov 19	1998 High	1998 Low	Yield	P/E
Argentina	General	19445.45	19383.00	18851.47	23488.47 23/3	12363.14 10/9	3.46	11.90
Hungary	Bux	6134.79	5972.01	5972.42	9816.36 23/4	3776.82 21/9	na	na
India	BSE Sens.	2919.57	2941.39	2864.87	4280.96 21/4	2764.16 20/10		
	Crisil 500	580.12	587.63	591.62	815.62 21/4	557.68 20/10	na	na
Portugal	BVL 30	4814.13	4846.70	4815.82	6176.89 22/4	3599.08 2/10	2.05	26.50
	PSI 20	11037.10	11109.57	11028.73	14282.89 23/4	8114.51 2/10		
Russia	RTS	70.12	63.35	60.04	411.61 5/1	38.53 5/10	na	na

Hungary: *Market higher as gains on foreign bourses gave boost to sentiment.*
India: *Investors cut positions ahead of tomorrow's provincial elections.*
Portugal: *State utility EDP pulled down amid fears over level of tariffs in 1999.*
Russia: *Blue chips soared in spite of news that President Boris Yeltsin was in hospital with pneumonia.*

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THE NASDAQ-AMEX MARKET GROUP

4 pm close November 23

[illegible]

AMEX

4 pm close November 23

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EASDAQ

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STOCK MARKETS

Merger mania fires bank shares higher

WORLD OVERVIEW

Mega-merger mania gripped equity markets in Europe and the US yesterday, sending already high-flying markets climbing still further, *writes Michael Morgan*.

Confirmation that Deutsche Bank was about to fulfil long-standing speculation with the takeover of Bankers Trust of the US sent European financials higher. Frankfurt, Paris, Amsterdam and Zurich all saw hefty activity in their banking issues as the race got underway to pick the next winner in the merger stakes.

Germany's Dresdner Bank shot up 7.6 per cent after its management board chief said a big merger was a "very clear option" for his bank. HypoVereinsbank did even better with a 9.1 per cent surge. Société Générale put on 5.3 per cent but BNP was the day's winner in Paris with a 7.8 per cent surge.

The news also had an impact in Asia where HSBC led Hong Kong higher, reflecting the powerful performance of financials in London and on Wall Street on Friday and with the Deutsche Bank news fuelling demand for the stock.

Wall St climbed to within 100 points of July's all-time high at midsession as the Deutsche-BT deal spurred banks and brokerages. Cyber stocks also rallied sharply on news America Online was in talks to acquire Netscape Communications while Sun Microsystems was interested in Netscape's business software arm.

Sharp rises were also seen in some of Europe's emerging markets as enthusiastic investors refused to be discouraged by what, under other circumstances, might have passed for bad news.

Moscow shot up almost 11 per cent, undeterred by news that President Boris Yeltsin was back in hospital with pneumonia. In truth, however, the market's rise from recent low levels did not indicate that foreign investors were beating a path back to Russian equities.

Istanbul was another winner, rising 9.8 per cent as tomorrow's censure vote, which is expected to topple Mesut Yilmaz's minority coalition, looks set to herald a broader centrist coalition.

Not everyone was ecstatic about the outlook for European equities, however. Goldman Sachs sounded a note of caution as it reduced the weighting of equities in its recommended European asset allocation for private clients to 55 per cent from 60 per cent, and raised cash to 10 per cent from 5 per cent.

The US investment bank expected European equities to have a total return on a 12 month view of around 5 per cent which did not justify the significant overweight position in equities it had been recommending.

US stocks climb towards record levels

AMERICAS

A wave of optimism initiated by a renewed bout of mergers and acquisitions activity brought the Dow Jones Industrial Average within reach of its all-time high in early trading yesterday.

By midsession, the S&P 500 index, the broadest range of large-capitalisation stocks, was up 1.7 per cent at 1,183.47, just below its peak of 1,186.75, set in mid-July before the Russian financial crisis precipitated a sharp sell-off. On August 31, the S&P had touched 957.28.

The Nasdaq composite, weighted towards the largest technology companies, rallied even more strongly, gaining 44.58, or 2.3 per cent, to reach 1,972.79, close to its record of 2,014.25, also set in mid-July.

The Dow broke above 9,300 for the first time in more than four months and was closing on its all-time high of 9,367.

Mergers were the main driver, with many deals which had been long planned, and delayed during the market downturn, being finally brought to the market. These allowed for strength in several different sectors.

Among the most strongly affected companies were Netscape Communications, which rose $2 13/16, or more than 7 per cent, to $42 on the back of reports that it was to be acquired by America Online, up $3 3/4 at $88 5/8.

Bankers Trust, the capital markets concern which plans to link with Deutsche Bank, saw its shares rise almost 10 per cent, gaining $7 9/16 to $85.

Unum and Provident, the two largest disability insurers in the US, which announced they were to merge, both saw rises of about 10 per cent, with Unum gaining $4 3/8 at $52 1/2, and Provident $3 13/16 at $37 5/16.

AMP, the manufacturing group, saw its shares rise 5.4 per cent, gaining $2 7/16 to $47 5/16, on the news that Tyco International, the conglomerate, had launched a bid.

Coltec also gained more than 10 per cent, up $1 13/16 at $19 7/8, on the back of the announcement that it was to be acquired by BF Goodrich.

Away from merger situations, international financial stocks all enjoyed a strong day, with JP Morgan and Citigroup both logging rises of more than 5 per cent – Morgan gained $6 1/16 at $115 11/16 and and Citigroup rose $2 3/4 at $47 11/16.

TORONTO matched Wall Street stride for stride in early trading, rising 105.94 to 6,628.20 on the 300 composite index at noon following strong gains for bank and technology stocks.

Banks stayed in favour in the wake of recent solid results from the sector. Royal Bank gained C$3.90 to C$78.35 and Canadian Imperial pushed on by C$2.40 to C$37.65. Bank of Nova Scotia rose C$1.30 to C$35.00.

Telecoms shares were also in demand with BCE up C$1.20 at C$55.55 and equipment maker Northern Telecom gaining C$1.15 to C$40.45. Golds, in contrast, were dull. Barrick fell 40 cents to C$32.80.

São Paulo strengthens

SAO PAULO pushed higher in early trading with solid gains by international stock markets offsetting the negative impact of resignations by three senior government ministers

At midsession, the benchmark Bovespa index was up 141 or 1.7 per cent at 8,672. Telecoms giant Telebrás was in demand with the receipts up 1.7 per cent to R$112.40.

MEXICO CITY took its cue from an active Wall Street, advancing 95.65 or 2.4 per cent to 4,091.18 on the IPC index at midsession. Telmex rose 50 centavos to 24.95 pesos although brokers said volumes were light.

CARACAS made a nervous start with sentiment held in check ahead of tomorrow's start to the latest Opec gathering. At midsession, the IBC index was off 70.55 or 1.8 per cent at 3,878.28.

Dax lifted back above 5,000

EUROPE

Confirmation that Deutsche Bank was in "advanced" talks with Bankers Trust of the US sent bank shares in **FRANKFURT** steeply higher and lifted the Xetra Dax index 113.08 or 2.3 per cent to 5,024.51.

It was the first time the benchmark index had ended above the 5,000 level in 11 weeks. Volumes were heavy and at the close the market was only 12 points short of the best of the session in spite of late profit-taking.

Deutsche Bank, which touched a high of DM115.50 at one stage, gained DM1.85 to DM109.35 and Dresdner DM5 to DM71.10. Commerzbank added DM1.26 at DM56.11 and HypoVereinsbank rose DM11.80 to DM140.80.

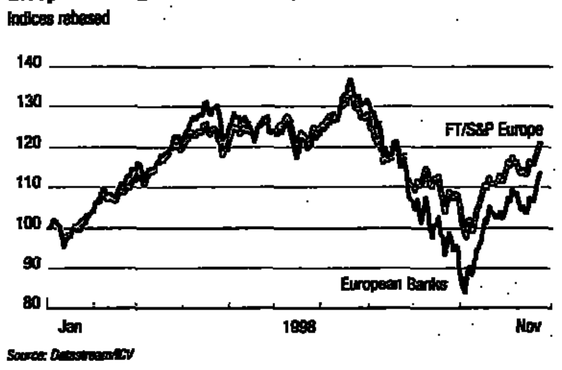
BMW rose DM29.00 to DM1.194 and Deutsche Telekom added DM2.19 at DM49.40 ahead of tomorrow's full third-quarter results which are expected to provide pointers to a solid full-year statement due mid-January.

PARIS also saw plenty of sparkle among bank shares and at the end of a busy session the CAC 40 index was up 43.11 at 3,845.81.

BNP took line honours among banks, gaining FFr31 or 7.8 per cent to FFr429. Société Générale rose FFr46 to FFr921 and Paribas improved FFr21.80 to FFr490. Elsewhere among financials, Axa added FFr27 at FFr729 on talk that the group is set to make an offer for GRE in a bid to significantly expand its UK insurance operations.

Canal Plus came off FFr122 or 8.5 per cent to FFr1,329, hurt by news that French rival TF1 and Telecom Italia were in joint venture talks with Australian media giant, News Corp.

AMSTERDAM rose 21.02 or 1.9 per cent to 1,130.85 on the AEX index to extend its gains to 9.3 per cent in six straight sessions following a strong performance by banks and a good run for



Source: Datastream/ICV

Akzo Nobel. A UK press report that Akzo Nobel was about to announce the disposal of its Courtaulds packaging arm sent the chemical leader's shares up Fl 4.40 to Fl 81.50. Retailer Ahold gained Fl 1.30 at Fl 68.90 ahead of today's third-quarter results statement.

The merger buzz among banks was not lost on the Dutch sector. ABN Amro added Fl 1.10 at Fl 40.40 in 11.1m shares traded while ING, its more diversified rival, rose Fl 4.40 to Fl 114.90.

ZURICH extended last week's gains and after a number of attempts, the SMI index broke through tough resistance around 7,300 points to close the day 196.3 or 2.8 per cent higher at 7,334.3.

UBS and CS Group were in the spotlight, profiting from derivatives-linked buying. CS Group gained SFr18.50 to SFr243.25 and UBS rose SFr22.50 to SFr442.

Insurers also posted gains, especially Zurich, SFr34 higher at SFr973, and Swiss Life which put on SFr78 to SFr1,049 .

Nestlé, expected to report a 6 per cent rise in 10-month sales tomorrow, gained SFr50 to SFr3,190.

Alusuisse rose SFr46 to SFr1,826 as the market awaited news on the outcome of co-operation talks between the aluminium, packaging and chemicals group and German conglomerate Viag.

Many analysts expected a merger while others still believed that Viag would take over Alusuisse.

MILAN ended almost 3 per cent up as banks and telecommunications companies powered ahead.

The Mibtel index closed 611 points or 2.8 per cent higher at 22,152.

Telecom Italia was traded heavily after News Corp of Australia announced plans to acquire part of Telecom's digital broadcasting operation. Telecom shares climbed L652 or 4.9 per cent to L13,982.

BNL jumped L278 or 5.8 per cent to L5,075 after it emerged that its public share offering had been several times oversubscribed.

Holding companies ended their recent period of underperformance. Compart climbed L47 or 3.6 per cent *to L1,367, while Gemina* ended L94 or 8.2 per cent higher at L1,240.

MADRID was held back by fears that a price war could harm Telefónica, the telecoms leader.

The Ibex-35 index of leading shares rose 10 to 9,441.9. Telefónica, which accounts for about a fifth of the index's weighting, ended Pta130 or 1.9 per cent lower at Pta6,710.

By contrast, Amper, the telecommunications equipment manufacturer, posted the biggest gain of the day, rising Pta195 or 6.6 per cent to close at Pta3,140.

Banks again outpaced the rest of the market. BBV gained Pta70 or 3.3 per cent to reach Pta2,180, while Santander finished Pta30 or 1.1 per cent higher at Pta2,775.

HELSINKI climbed almost 2 per cent as Nokia reached a record high and financial stocks benefited from consolidation hopes.

The Hex index closed 93.02 higher at 4,814.95, with Nokia ending FM14.10 or 2.8 per cent up at FM510.6.

Merita, the bank, rose FM0.60 or 2.1 per cent to FM29.10, while Sampo and Pohjola, the insurers, each jumped more than 5 per cent to finish at FM171 and FM224 respectively.

Written and edited by Jeffrey Brown, Michael Peel and Peter Hall

Johannesburg slips off highs

SOUTH AFRICA

Shares in Johannesburg ended higher but below their best of the day after negative economic news sparked profit-taking late in the session.

The all share index closed 1 per cent better at 5,825.3 with financials supplying most of the upside drive with a rise of 2.8 per cent at 9,149.6. Industrials gained 0.7 per cent to 6,640.2. Golds stayed soft, giving up a further 0.5 per cent to 1,034.4.

Jakarta jumps despite violence

ASIA PACIFIC

Sharp gains were made in **JAKARTA** as overseas investors continued to buy despite further violence at the weekend. The composite index closed up 21.34 at 424.99, almost 20 per cent higher than last Monday's close.

Telekomunikasi Indonesia, the partially privatised telephone utility, reinforced its recent strong performance with a rise of Rp325 or 11.5 per cent to Rp3,150. It returned to the black in the *third quarter of this year* after a Rp1,176.7bn first-half loss.

THE DAY'S CHANGES

	% Change
Jakarta	+5.3
Karachi	+5.1
Bangkok	+5.0
Manila	+4.4
Kuala Lumpur	+3.4
Hong Kong	+2.8
Singapore	+2.2
Sydney	+1.6
Taipei	-0.7

Indonesia Satellite, the partially privatised operator of international calls, climbed Rp2,075 or 16.8 per cent to Rp14,400.

Investor sentiment seemed unaffected by police reports that 13 people had died in violence on Sunday.

KARACHI shot higher, encouraged by hopes that a lending programme would be finalised soon with the International Monetary Fund. The KSE 100 index surged 50.39 to 1,039.01 in volume that rose to 109m.

Analysts said Pakistan's return to an IMF programme was the key to vital multilateral funding, as Islamabad needs to plug a $5bn gap in external payments for its $32bn foreign debt.

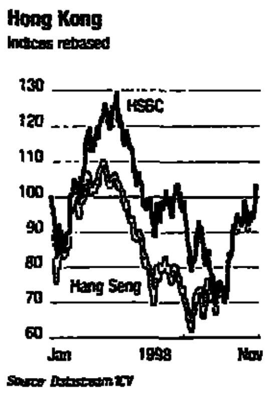
HONG KONG was propelled sharply higher by a 5.9 per cent surge in HSBC and the Hang Seng index closed 281.17 up at 10,514.53.

HSBC jumped HK$11 to HK$197.50, *accounting for* 143.72 points of the blue-chip index's gain and almost a quarter of the day's HK$8.6bn turnover.

The banking giant tracked Friday's powerful performance of financial stocks in London and on Wall Street while news that Deutsche Bank was in talks to buy Bankers Trust of the US *fuelled activity*.

Property issues helped to drive the market higher, encouraged by apartment sales at the weekend. Sino Land, which sold 1,070 out of 1,268 offered at its Island Harbourview development, was flat at HK$3.85 after a recent good run. Sun Hung Kai Properties added JK$1.75 to HK$57.25 and Cheung Kong 75 cents to HK$58.

KUALA LUMPUR had one of its best days for weeks as demand from local institutions for index-linked shares



Source: Datastream/ICV

sent the composite index up 15.61 to 477.17.

Telecommunications group Technology Resources controlled by businessman Tajudin Ramli gained 9 cents to M$1.71 on expectations that the company would receive government help to tackle its debt problems.

SYDNEY absorbed modest profit-taking late in the session to close with the All Ordinaries index 44.0 or 12.6 per cent higher at 2,747.6. Turnover remained heavy at *A$1.04bn. News Corp* provided the strongest feature, adding 51 cents or 4.8 per cent at A$11.21 with dealers citing a rebound from the steady selling earlier this month following the media giant's disappointing first-quarter results. Banks continued to press up against fresh highs. Commonwealth rose 66 cents to A$21.26 and NAB 31 cents to A$23.71.

BANGKOK made further rapid progress, adding a gain of 18.50 to 390.43 on the SET index to the 11.4 per cent improvement notched up last week. Both foreign and local investors were active.

Money market rates continued to soften, and sentiment was *also boosted by* rumours of an easing of the rules governing the amount of net settlement undertaken by individual brokers.

Property shares made a *late surge*, ending 15.4 *per* cent higher on the sector index. In banks Bangkok Bank rose Bt6.50 to Bt58.50 and Thai Farmers Bt5.50 to Bt57.50.

MANILA finished at a five-month high as investors continued to take comfort from the strength of the peso.

The composite index ended 80.57 higher at 1,922.26. *The exchange has* climbed 17.4 per cent since the close on November 10.

The market was supported by further speculation that Philippine Long Distance Telephone, the dominant telecommunications provider, was about to announce a deal with Metro Pacific, which is majority owned by First Pacific, the Hong Kong based conglomerate. PLDT rose 45 pesos or 4.3 per cent to 1,085 pesos, and Metro Pacific 6 centavos or 2.9 per cent at 2.12 pesos.

EMERGING MARKET FOCUS

Baltic banks await chill wind

Last week's announcement that Sweden's Skandinaviska Enskilda Banken will buy stakes in two leading Baltic banks, and is negotiating with a third, briefly woke Baltic markets from their slumber.

But activity quickly subsided as investors awaited figures detailing the impact of the Russian crisis on Baltic economies.

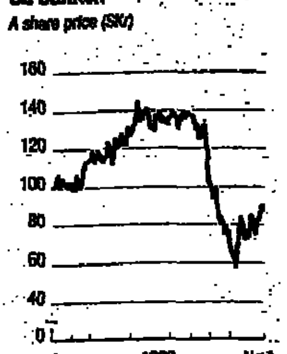
Trade in shares of Uhisbank, Estonia's second biggest bank, was brisk after SE Banken said it planned to take a 32 per cent stake. But Uhisbank's share price hardly budged from the EKr24/26 level it attained following two weeks of strong rumours about a possible bid by a foreign bank.

"The terms were close to what the market expected, and the market expected the deal to take place," said Sten Sumberg, chief trader at Talinvest Suprema Securities in Tallinn. SE Banken will pay EKr40 per share for 15m Uhisbank shares, to go with the 6m it already holds.

In Riga, Unibanka stock rose about 10 per cent following SE Banken's bid for a 36 per cent stake in the Latvian bank. Analysts said that local investors were relieved Unibanka, Latvia's second largest bank, had found a partner.

Uhisbank has reported poor third-quarter results, and Latvia's central bank recently said Unibanka's public accounts did not accurately reflect the exposure of its loan portfolio to the Russian crisis. Unibanka made large loan loss provisions in view of the impact of the crisis on local companies.

In Lithuania, shares of Vilniaus bank rose about 30 per cent after SE Banken said it was talking to the bank about a possible strategic investment. Vilniaus Bank shares shored up liquidity on the local stock exchange, with turnover of 2.8m litas last week, the strongest activity in months.



Source: Datastream/ICV

The proposed Vilniaus Bank deal with SE Banken has spurred local Vilniaus competitor Hermis Bank to intensify its search for a partner. Investors have begun targeting Hermis stock in the belief the bank would soon find a suitor.

"Hermis is still looking for a quality investor but at this stage they would be more lenient [in their demands] than they were a year ago," said Mr Sumberg.

Uhisbank, Unibanka and Vilniaus Bank agreed earlier this year to co-operate in their investment banking activities, as a prelude to a possible merger. SE Banken has said, however, that it plans to keep the banks separate.

After a tough time at home, the SE Banken shopping spree in the Baltic market may yet turn out to have been well timed, but for now locals are hoping their economies can weather the chill winds coming from the east.

"We yet have to see how negative the impact of the Russian crisis will be," Mr Sumberg said.

"In that sense, the fact that major Swedish banks have invested in our (Estonian) banks was definitely a huge relief for anyone who cares about the macroeconomic situation and banking sector."

Matej Vipotnik

People can correspond.
Why not banks?

Of course banks can correspond too, but some do it better than others. If you want the right correspondent in Turkey, we suggest you the one which Thomson Bankwatch rated highest among all emerging market banks. The Turkish bank whose high regard in the international financial community generated $930 million worth of financing in 1997 and $600 million in the first half of 1998. The bank that has completed several asset-backed securitization programmes with maturities of 5-7 years. The bank that was selected as the "Best Bank in Turkey" by Euromoney for 3 consecutive years.

Then again, who *could* be a better choice than a bank that handles 14% of Turkey's exports and 7% of Turkey's imports? A bank whose foreign currency business volume totalled $28 billion in the first 7 months of 1998. In short, the bank with global standards and local strength: Garanti Bank.

GARANTİ BANK

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صكا من الاصل